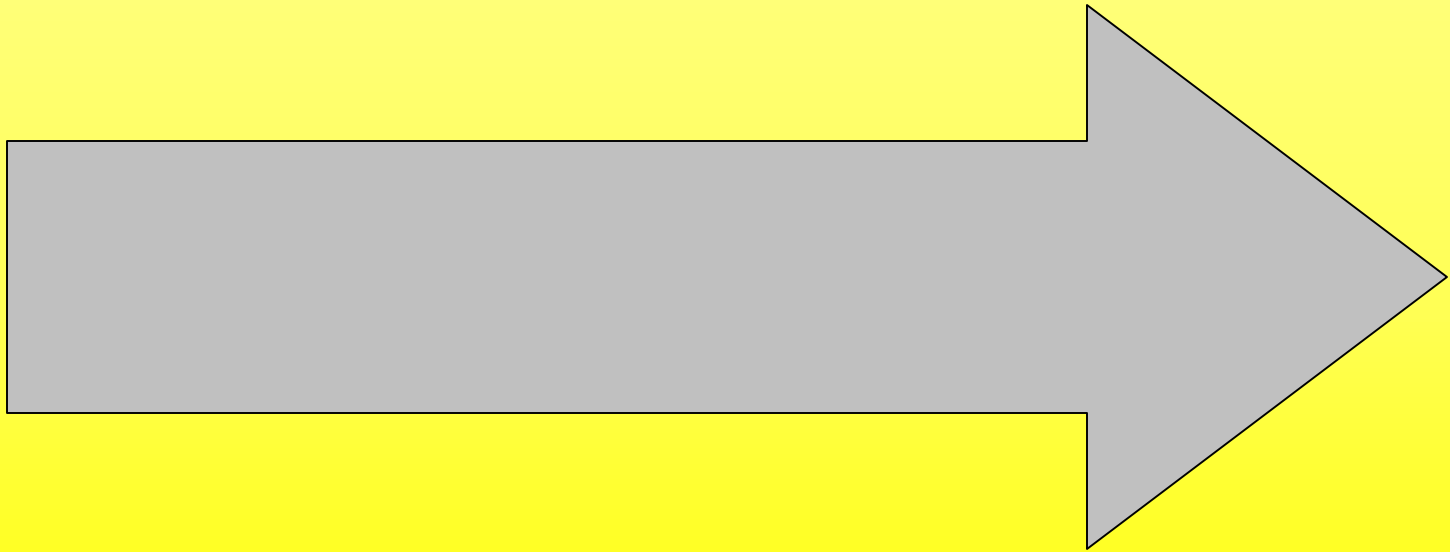


Chart Library

Fiscal Year 2005 Budget

In Reverse Chronological Order

CBO January Baseline Release January 2004



RHETORIC:

"See, I ran for office to solve problems, not to pass them on to future Presidents and future generations."

*President Bush at a Fundraiser
in Oregon, August 21, 2003*

REALITY:

Instead of paying off the public debt by 2011 as President Bush projected, this Administration will leave to future generations a debt of about \$7.6 trillion as of 2011.

Projected 2004 Surplus Becomes Largest Deficit in History

Forecast of 2004 Surplus or Deficit, Billions of Dollars

	Unified	On-Budget
January 2001	397	196
August 2001	201	-3
January 2002	54	-141
August 2002	-111	-299
January 2003	-145	-319
January 2004	-477	-631

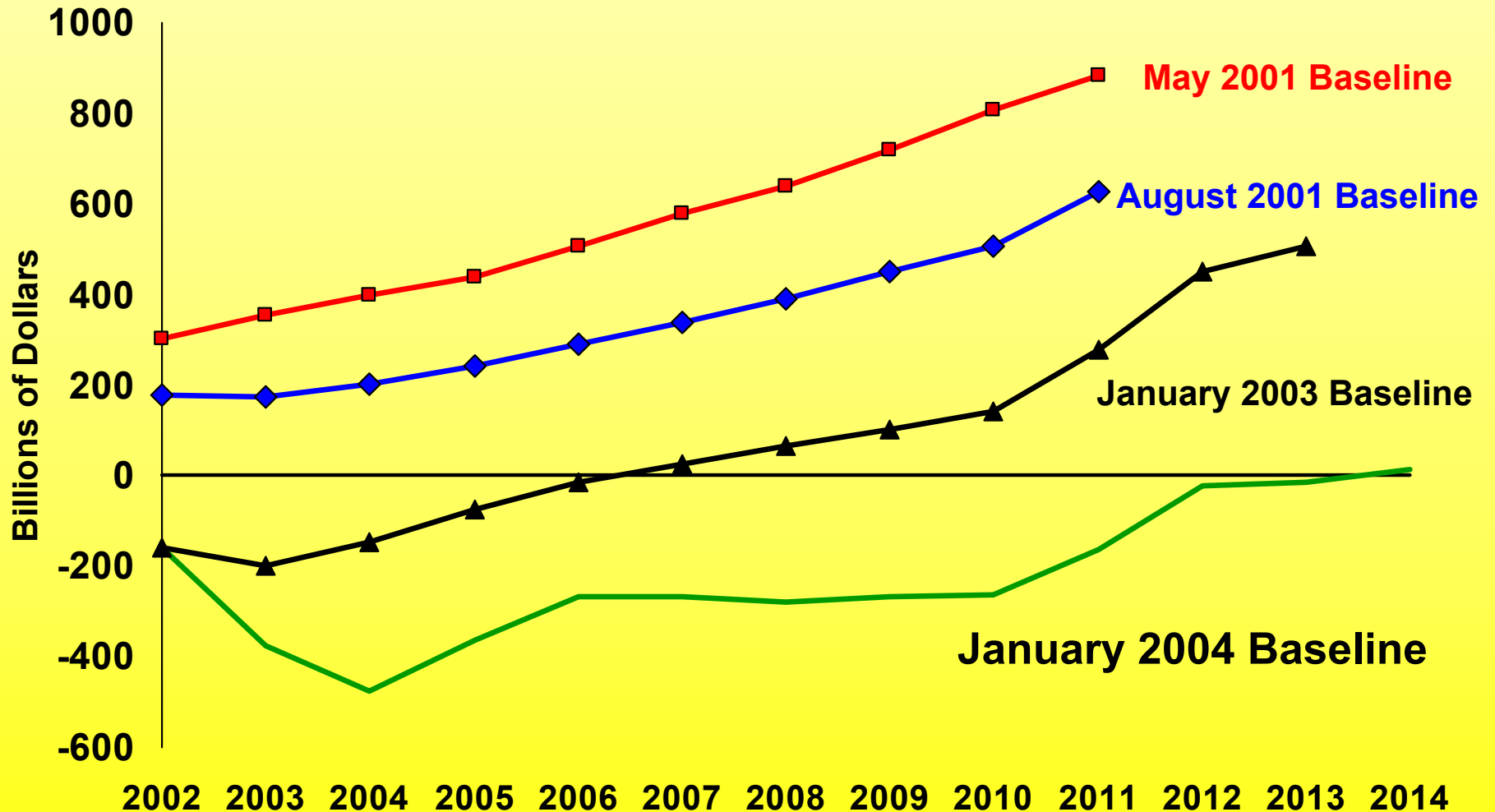
Surplus Declines \$8.5 Trillion Under Republican Leadership

Unified Budget Surplus, Trillions of Dollars

	2002-2011
January 2001	5.610
August 2001	3.397
January 2002	1.601
August 2002	0.336
January 2003	0.020
January 2004	-2.876

What Happened to the Surplus?

Unified Surplus or Deficit



Surplus Declines \$8.5 Trillion During Bush Administration

Unified Budget Surplus, CBO Baseline
Trillions of Dollars

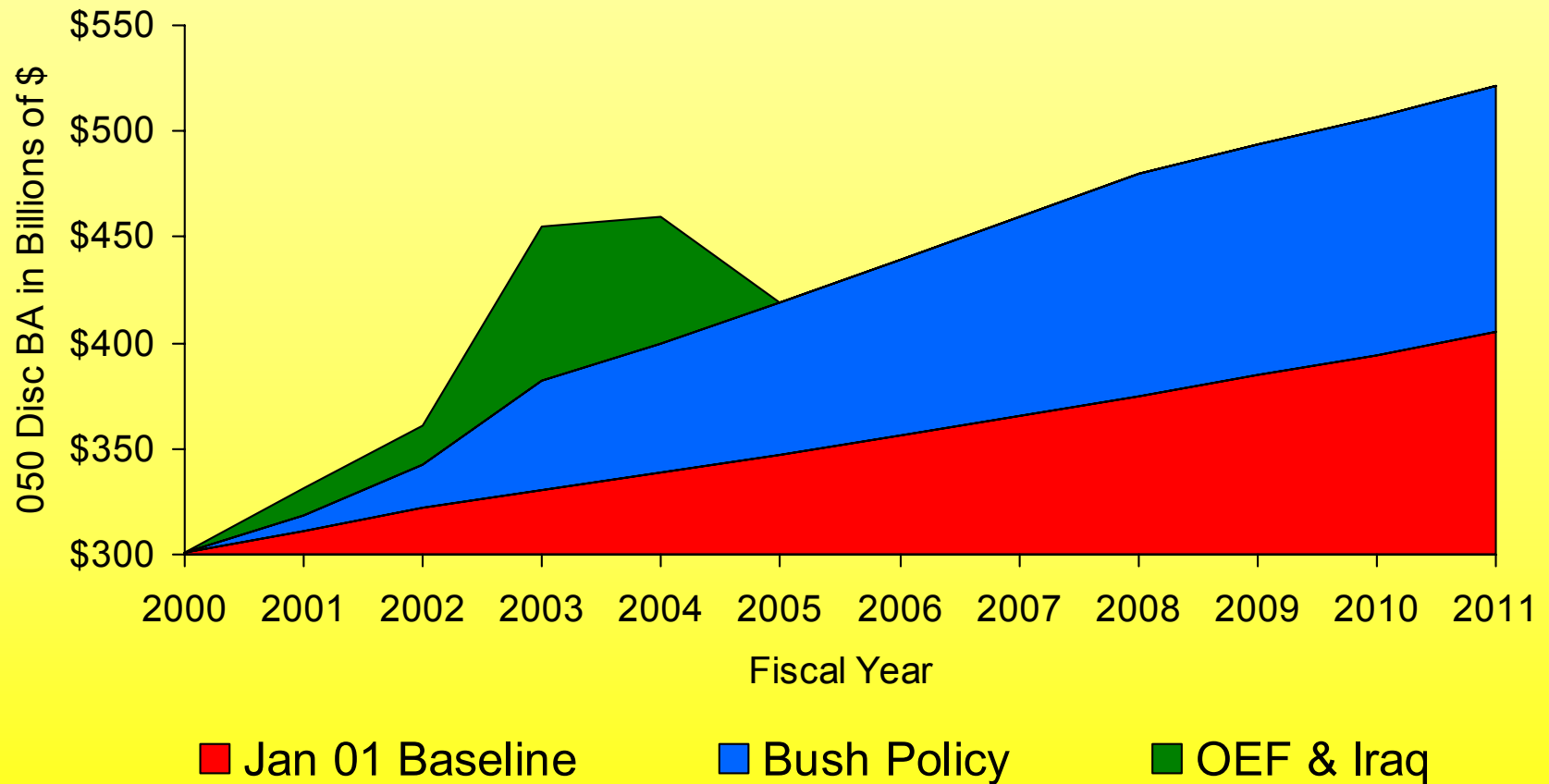
	2002-2011	2005-2014
May 2001	5.629	n.a.
January 2004	-2.876	-1.893

Budget Picture Declines Drastically Under Republican Leadership

On-Budget Surplus, CBO Baseline
Trillions of Dollars

	2002-2011	2005-2014
May 2001	3.142	n.a.
January 2004	-4.904	-4.288

Increased Cost of Defense Under Bush Administration

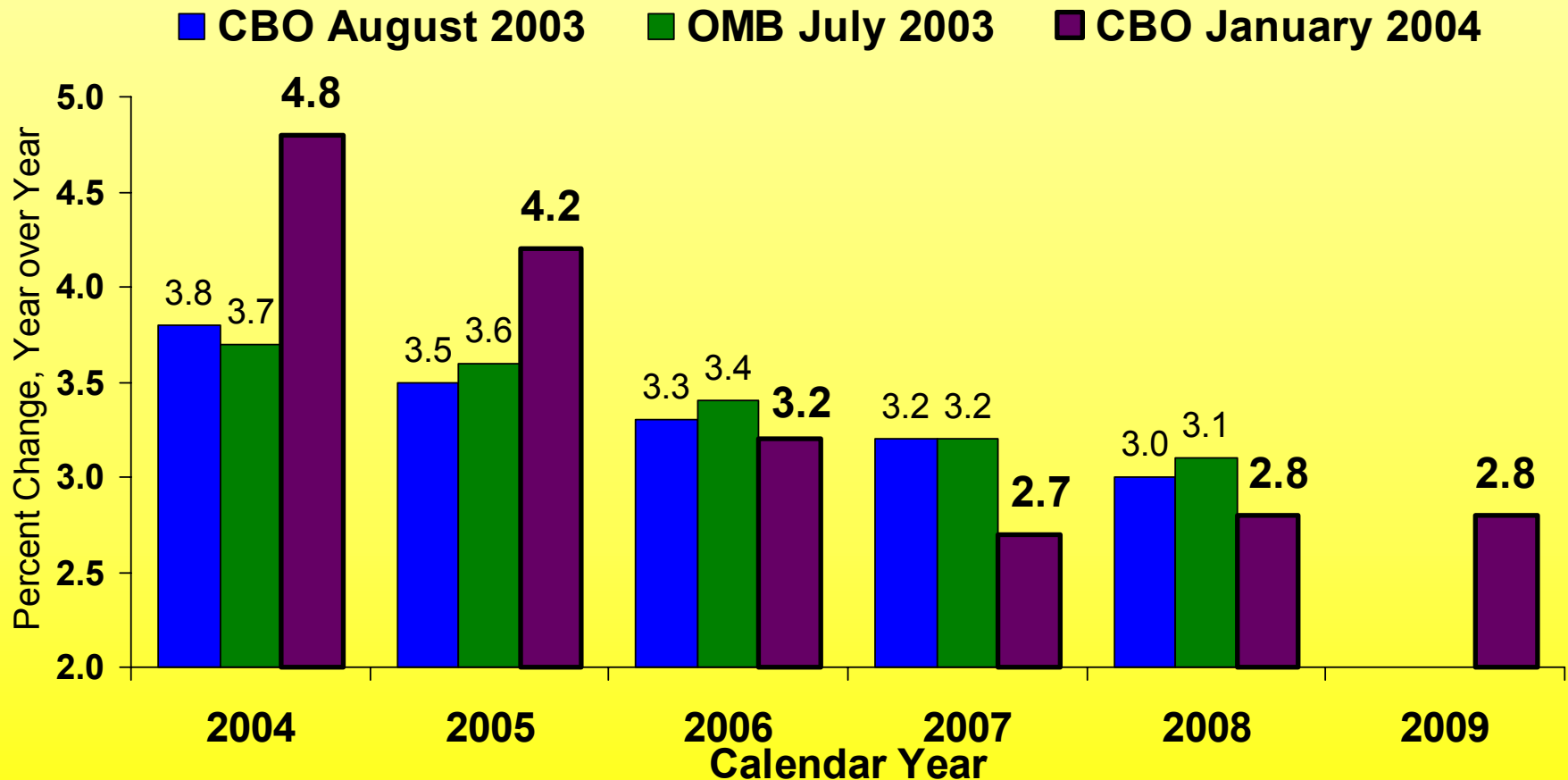


Defense Increases During Bush Administration

(National Defense Discretionary Budget Authority in Billions of Dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2002- 2011</u>
CBO January Baseline 2001	321.8	330.3	338.9	347.4	356.3	365.5	374.9	384.6	394.5	404.9	3619.0
Policy Increases Excluding Supplemental	20.7	51.8	61.1	72.0	83.2	94.2	105.3	108.7	112.5	116.4	826.0
Iraq/OEF Supplemental	18.4	72.4	59.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	150.7
Total Increase	39.0	124.2	121.1	72.0	83.2	94.2	105.3	108.7	112.5	116.4	976.7
Total Bush Defense Program											
	360.8	454.5	460.0	419.4	439.5	459.7	480.1	493.3	507.0	521.3	4595.7

Budget Projections Already Assume Strong GDP Growth



CBO Baseline Does Not Include:

- **Extension of Republican Tax Cuts**
- **New Presidential initiatives such as lunar-based mission to Mars**
- **Social Security Reform**
- **Reauthorization of Transportation Bill**
- **The cost of addressing natural disasters like hurricanes, wildfires, floods, and earthquakes**

Extending Expiring Tax Provisions Would Lower Revenues By \$2.3 Trillion over 2005-2014

92 THE BUDGET AND ECONOMIC OUTLOOK: FISCAL YEARS 2005 TO 2014

Table 4-10.

Effect of Extending Tax Provisions That Will Expire Before 2014

(Billions of dollars)

Tax Provision	Expiration Date	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total, 2005-2009	Total, 2005-2014
Provisions That Expired in 2003														
Archer Medical Savings Accounts	12/31/03	*	*	*	*	*	*	*	*	*	*	*	*	*
Brownfields Remediation	12/31/03	-0.1	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.2	-2.1
Corporate Contributions of Computers to Schools	12/31/03	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.7	-1.7
Credit for Electric Vehicles	12/31/03	*	*	*	*	*	*	*	*	*	*	*	*	*
Credit for Electricity Production from Renewable Sources	12/31/03	*	*	-0.1	-0.2	-0.2	-0.5	-0.8	-1.1	-1.5	-1.9	-2.2	-1.2	-8.7
Deduction for Teachers' Classroom Expenses	12/31/03	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.1	-2.2
Deductions for Clean-Fuel Vehicles and Refueling Property	12/31/03	*	-0.1	-0.2	-0.4	-0.5	-0.4	-0.4	-0.4	-0.3	-0.1	-0.1	-1.6	-2.8
Interest Rate for Pension Calculations	12/31/03	4.8	3.7	1.6	0.6	-1.3	-2.2	-2.6	-2.0	-1.9	-2.0	-1.3	2.5	-7.3
Net Income Limitation for Marginal Oil and Gas Wells	12/31/03	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.5
Qualified Zone Academy Bonds	12/31/03	*	*	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.6
Reduction in Policyholder Dividends for Insurance Companies	12/31/03	*	*	*	*	*	*	*	*	*	*	*	-0.2	-0.4
Rum Excise Tax Revenue to Puerto Rico and the Virgin Islands	12/31/03	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.8
Tax Incentives for Investment in the District of Columbia	12/31/03	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.5
Treatment of Personal Credits Under AMT	12/31/03	-0.1	-0.6	-2.3	-3.6	-4.2	-4.8	-5.5	-6.1	-7.4	-8.5	-9.2	-15.5	-51.1
Welfare-to-Work Tax Credit	12/31/03	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.7
Work Opportunity Tax Credit	12/31/03	-0.1	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-1.5	-3.7
Tax Incentives for Areas of New York City Damaged on Sept. 11	Various ^a	-0.1	-0.2	-0.3	-0.7	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-3.0	-6.9
Provisions That Expire Between 2004 and 2014														
Credit for Research and Experimentation	06/30/04	-0.5	-2.8	-3.2	-3.7	-4.1	-4.6	-5.1	-5.6	-6.2	-6.7	-7.2	-18.4	-49.2
Abandoned Mine Reclamation Fees	09/30/04	n.a.	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	1.2	2.5
Depreciation for Business Property on Indian Reservations	12/31/04	**	-0.1	-0.4	-0.5	-0.5	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-2.1	-3.6
Increased AMT Exemption Amount	12/31/04	n.a.	-7.1	-20.3	-26.8	-34.2	-42.8	-50.5	-42.0	-35.5	-30.6	-35.5	-131.1	-315.2
Indian Employment Tax Credit	12/31/04	n.a.	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.8
IRS User Fees	12/31/04	n.a.	**	**	**	**	**	**	**	**	**	**	**	0.2
Partial Expensing at 50 Percent	12/31/04	2.1	-0.4	-7.1	-6.2	-5.75	-8.4	-39.8	-33.0	-28.2	-26.0	-28.4	-284.6	-440.1

(Continued)

CHAPTER FOUR

THE REVENUE OUTLOOK 93

Table 4-10.

Continued

(Billions of dollars)

Tax Provision	Expiration Date	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total, 2005-2009	Total, 2005-2014
Authority for Undercover IRS Operations														
Deduction for Qualified Education Expenses	12/31/05	n.a.	n.a.	**	**	**	**	**	**	**	**	**	**	**
Puerto Rico Business Credits	12/31/05	n.a.	n.a.	-2.6	-3.6	-3.9	-4.2	-4.4	-3.9	-3.9	-4.0	-4.0	-14.4	-34.6
Section 179 Expensing	12/31/05	n.a.	n.a.	-0.6	-1.4	-1.5	-1.6	-1.7	-1.9	-2.0	-2.2	-2.3	-5.1	-15.2
Transfer of Excess Assets in Defined Benefit Plans	12/31/05	n.a.	n.a.	-3.6	-6.2	-4.8	-3.9	-3.3	-2.8	-2.6	-2.5	-2.6	-18.5	-32.3
Andean Trade Preference Initiative	12/31/05	n.a.	n.a.	**	**	**	**	**	**	**	**	**	0.1	0.3
Credit for TRA and 401(k)-Type Plans	12/31/06	n.a.	n.a.	n.a.	*	*	*	*	*	*	*	*	-0.1	-0.3
Depreciation for Clean-Fuel Automobiles	12/31/06	n.a.	n.a.	n.a.	-0.6	-1.9	-1.7	-1.6	-1.4	-1.4	-1.3	-1.1	-4.1	-10.9
Generalized System of Preferences	12/31/06	n.a.	n.a.	n.a.	*	*	*	*	*	*	*	*	*	-0.1
Subpart F for Active Financing Income	12/31/06	n.a.	n.a.	n.a.	-0.4	-0.6	-0.6	-0.7	-0.7	-0.7	-0.8	-0.8	-1.6	-5.3
Alcohol Fails Income Credit	12/31/07	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*	*	*	*	*
FUTA Surtax of 0.2 Percentage Points	12/31/07	n.a.	n.a.	n.a.	n.a.	1.0	1.4	1.5	1.5	1.5	1.5	1.5	2.5	9.9
New Markets Tax Credit	12/31/07	n.a.	n.a.	n.a.	n.a.	-0.1	-0.3	-0.4	-0.6	-0.8	-1.0	-1.2	-0.4	-4.6
Reduced Tax Rates on Dividends and Capital Gains	12/31/08	n.a.	n.a.	n.a.	n.a.	-2.3	-12.8	-25.7	-34.9	-39.7	-43.7	-44.0	-15.1	-208.1
Empowerment and Renewal Zones	12/31/09	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.8	-1.6	-1.7	-1.9	-2.0	0	-8.1
Estate and Gift Tax Changes	12/31/10	-0.5	-0.9	-1.1	-1.5	-1.9	-1.7	-2.4	-29.0	-51.0	-55.3	-60.8	-7.2	-205.6
Other Provisions of EGTRRA and JGTRRA ^b	Various ^c	n.a.	-12.9	-25.2	-23.1	-19.0	-15.8	-10.4	-10.3	-17.65	-179.8	-182.2	-96.1	-748.2
All Expiring Provisions														
Interaction from Extending All Provisions Together		0	-1.5	-3.2	-1.8	0.2	2.4	2.9	-11.4	-32.5	-34.6	-37.0	-3.9	-116.5
Total		6.0	-64.9	-133.6	-141.9	-142.1	-148.1	-157.6	-286.7	-389.2	-406.7	-428.6	-630.7	-2,295.5

Sources: Joint Committee on Taxation; Congressional Budget Office.

Notes: * = between -\$50 million and zero; ** = between zero and \$50 million; n.a. = not applicable; AMT = alternative minimum tax; IRS = Internal Revenue Service; IRA = individual retirement account; FUTA = Federal Unemployment Tax Act; EGTRRA = Economic Growth and Tax Relief Reconciliation Act of 2001; JGTRRA = Jobs and Growth Tax Relief Reconciliation Act of 2003.

These estimates assume that the expiring provisions are extended immediately rather than when they are about to expire and that provisions that have already expired are reintroduced immediately.

The provisions are assumed to be extended at the rates or levels existing at the time of expiration. These estimates do not include debt-service costs. When this report went to press, JCT's estimates based on the new economic projections were unavailable for most expiring provisions related to EGTRRA's and JGTRRA's individual income tax provisions and the AMT. For the two expiring AMT provisions, CBO updated JCT's previous estimates for the estimated effects of the changed economic projections. Estimates of provisions combined in the entry for "Other Provisions of EGTRRA and JGTRRA" have not been updated, although they were extended to 2014. JCT's updated estimates will be made available when they are completed. JCT has updated the estimates of provisions of EGTRRA and JGTRRA that are shown as separate entries and all other provisions except those for the AMT.

a. The provision that expands the work opportunity credit in New York City expired on 12/31/2003. The provisions that increase expensing under Section 179 and allow a five-year lifetime for leasehold improvements expire on 12/31/2006. The provisions related to partial expensing for property placed in service expire on 12/31/2006 and 12/31/2009.

b. These provisions affect several rates, brackets, credits, and other parameters for individual income taxes: the child tax credit; 10 percent rate bracket; 15 percent rate bracket and standard deduction for joint filers; 25 percent and higher tax rates; the phaseout of limitations on itemized deductions and personal exemptions; and certain education, pension, and other provisions. All of the provisions as enacted in EGTRRA expire at the end of 2010. Modifications enacted in JGTRRA expire at the end of 2004. The estimates do not include the deduction for qualified education expenses; the credit for IRA and 401(k)-type plans; reduced rates on dividends and capital gains; and the exemption amount for the AMT, which are shown in separate entries.

Republican Tax Cuts Make Deficit Picture Worse

Unified Budget Surplus, Trillions of Dollars

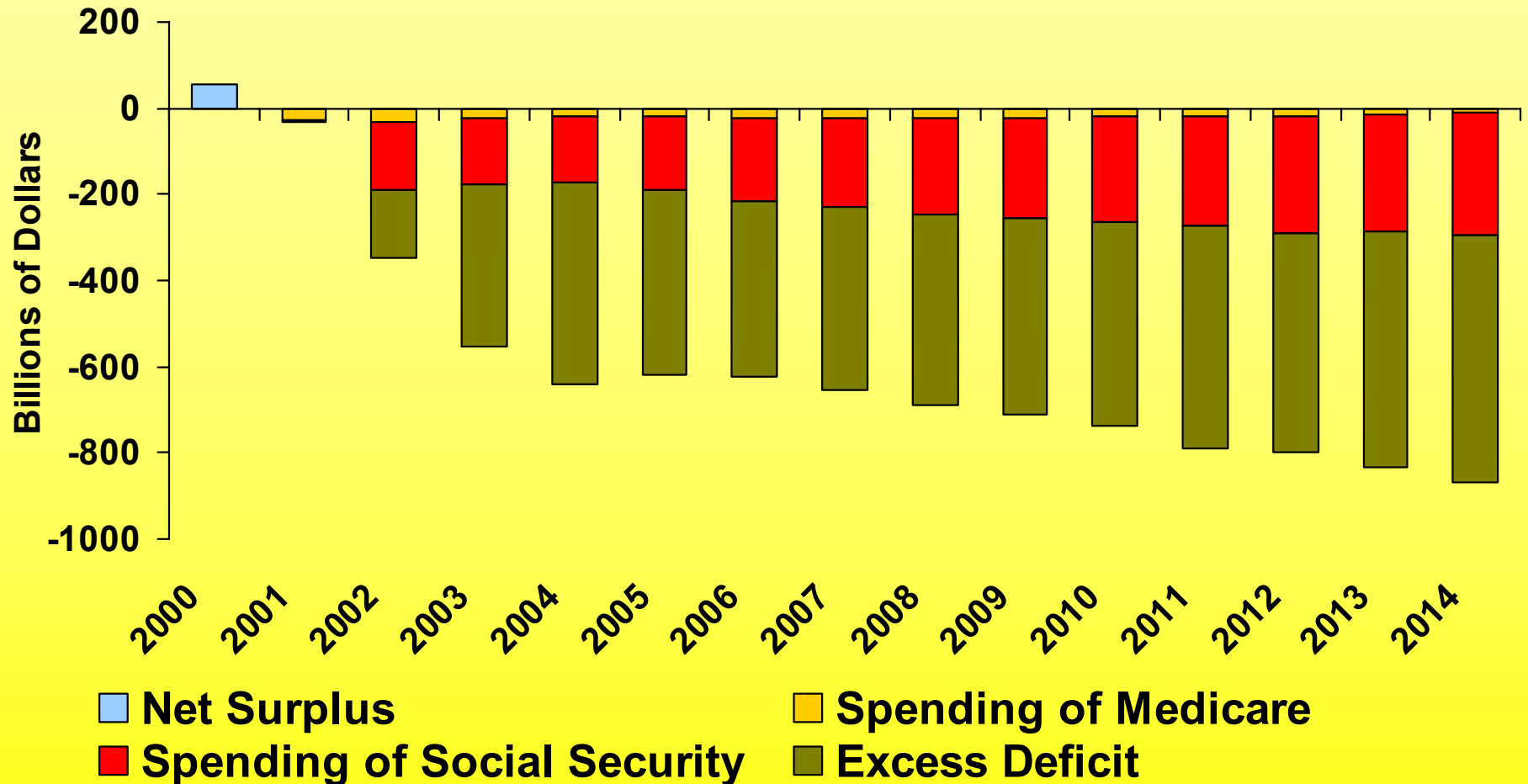
	2002-2011	2005-2014
May 2001	5.629	n.a.
January 2004 Baseline with Extension of Republican Tax Cuts	-4.154	-4.782

Republican Tax Cuts Make Deficit Picture Worse

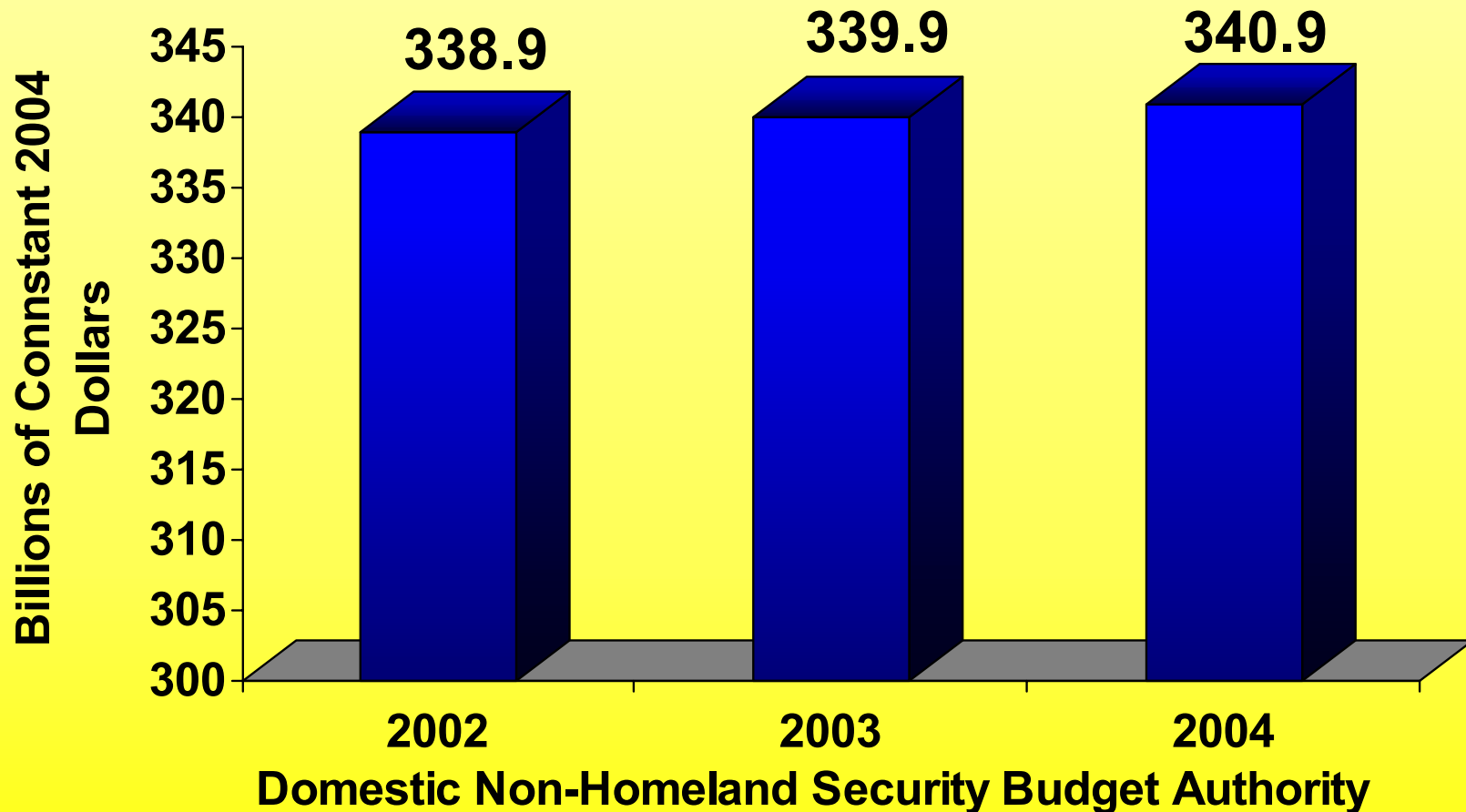
On-Budget Surplus, Trillion of Dollars

	2002-2011	2005-2014
May 2001	3.142	n.a.
January 2004 Baseline with Extension of Republican Tax Cuts	-6.182	-7.177

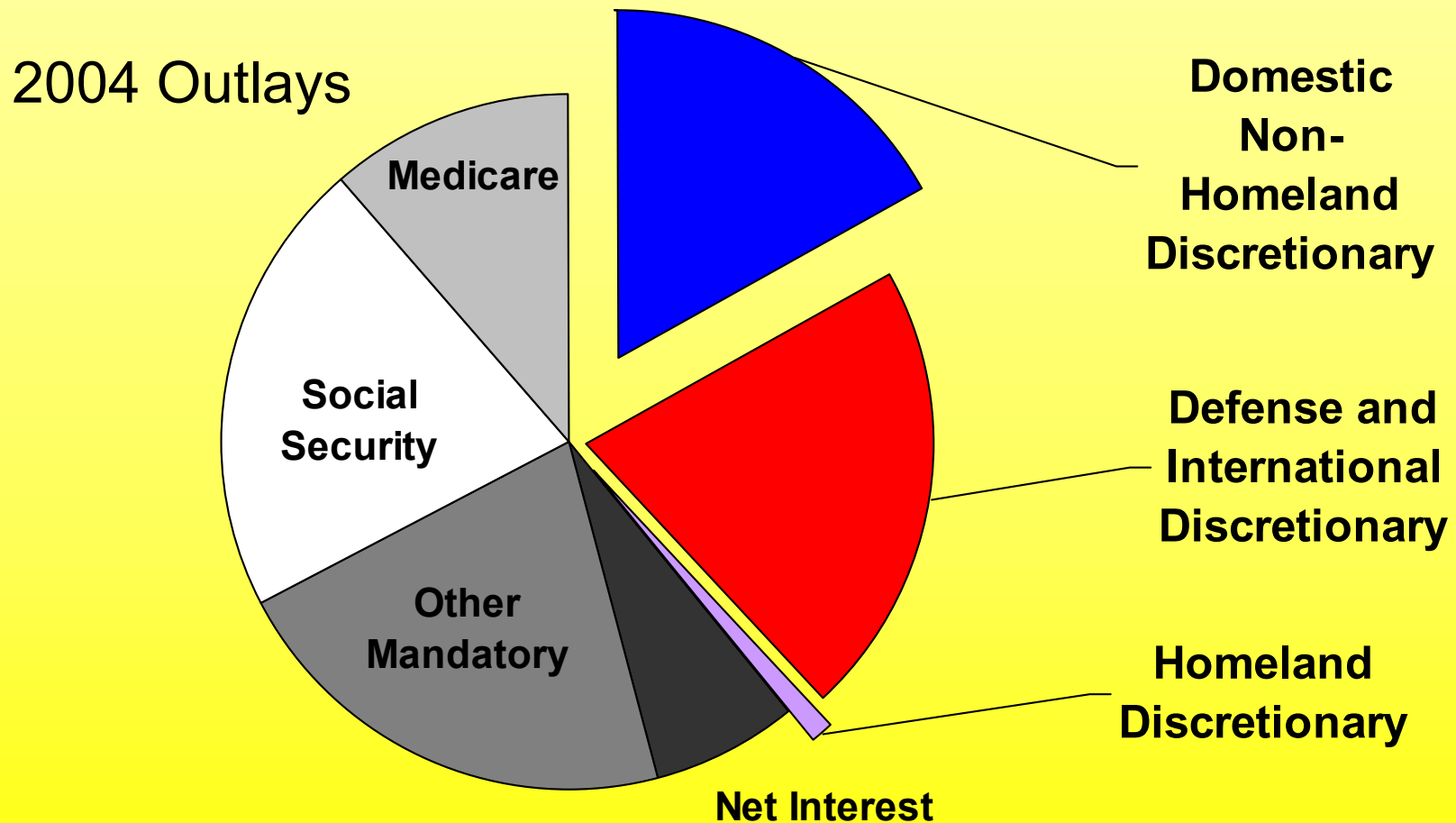
President's Policies Spend Social Security and Medicare



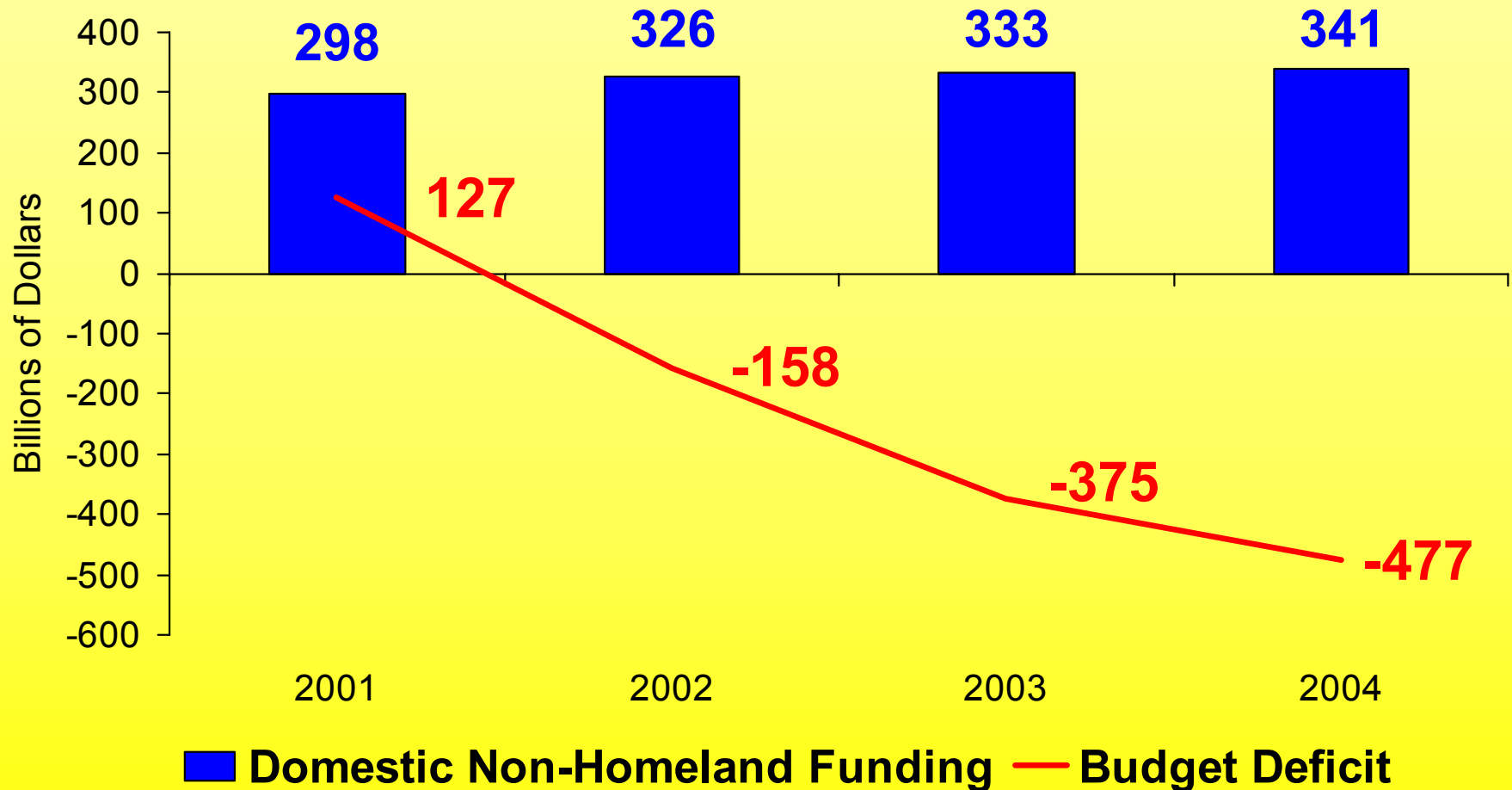
Domestic Funding Frozen for Three Years



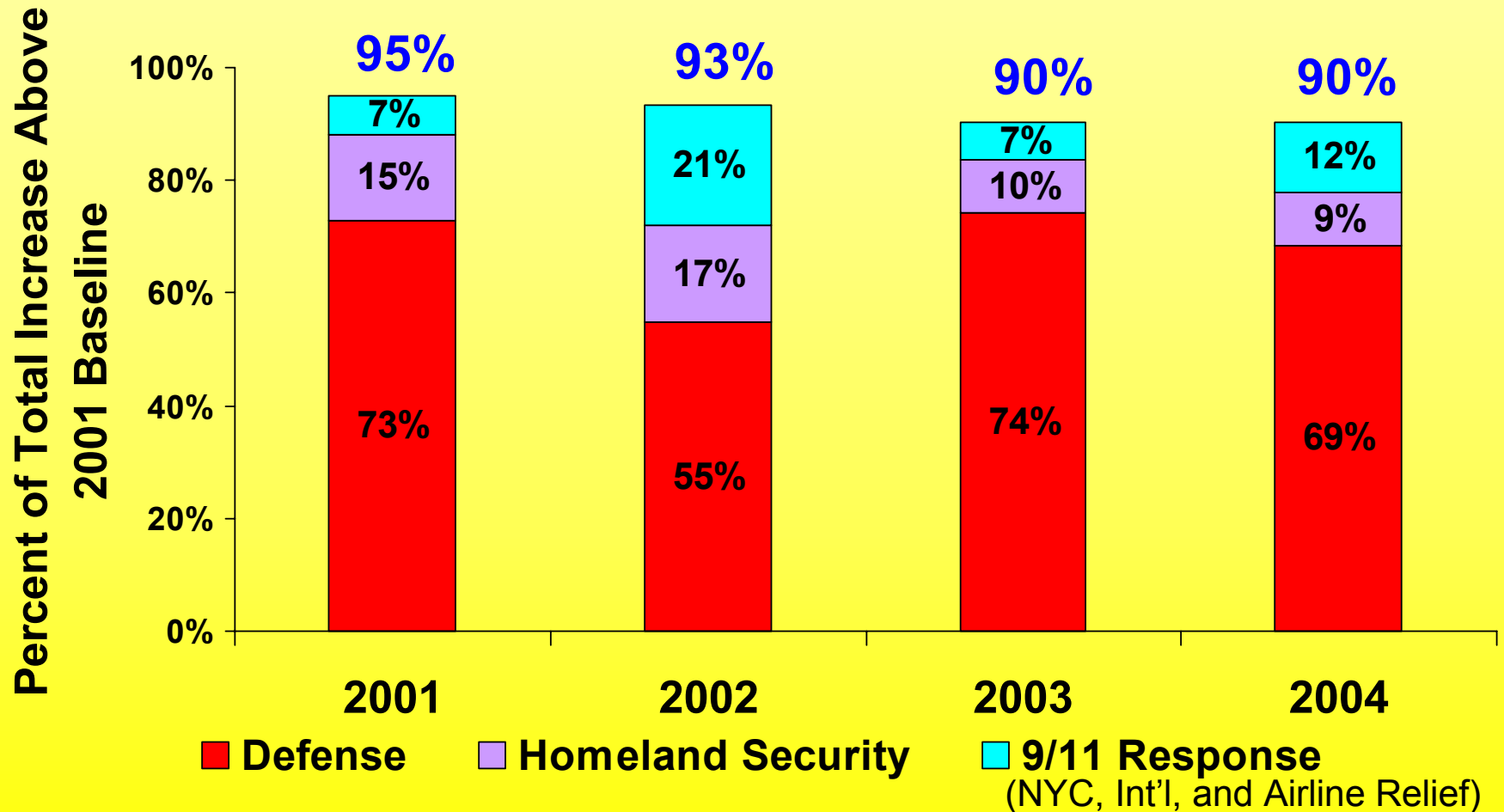
Domestic Non-Homeland Discretionary Spending Only One-Sixth of Budget



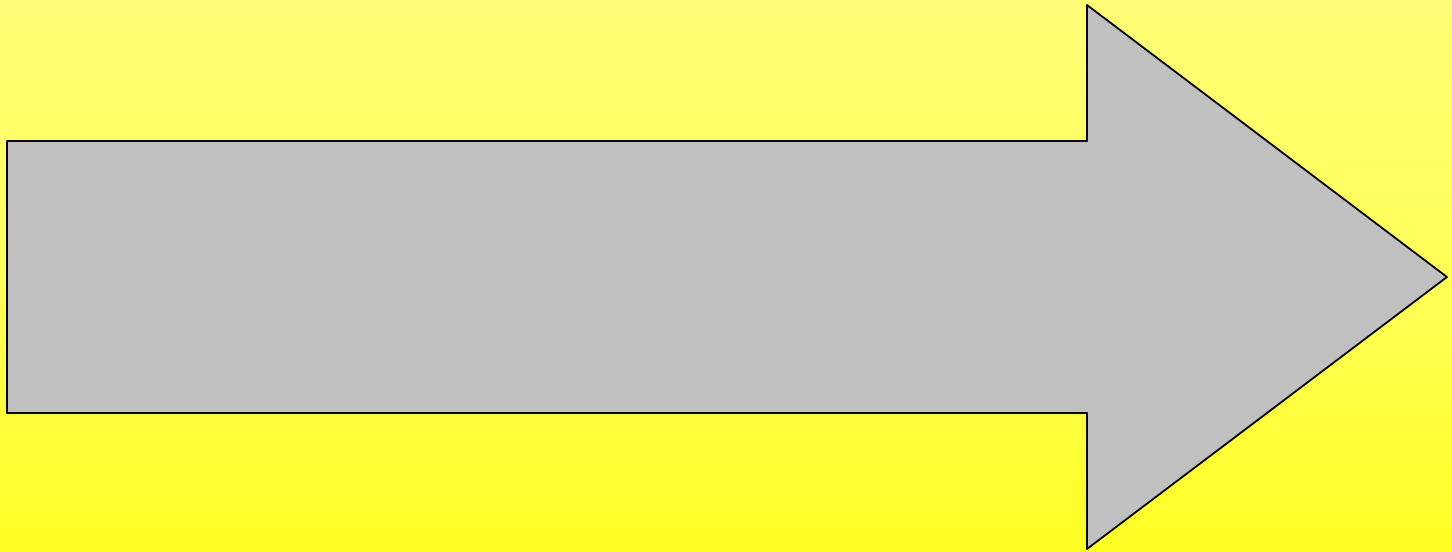
Eliminating All Domestic Non-Homeland Funding Would Not Balance Budget



Defense, Homeland Security and 9/11 Response Account for At Least 90 Percent of Funding Increases



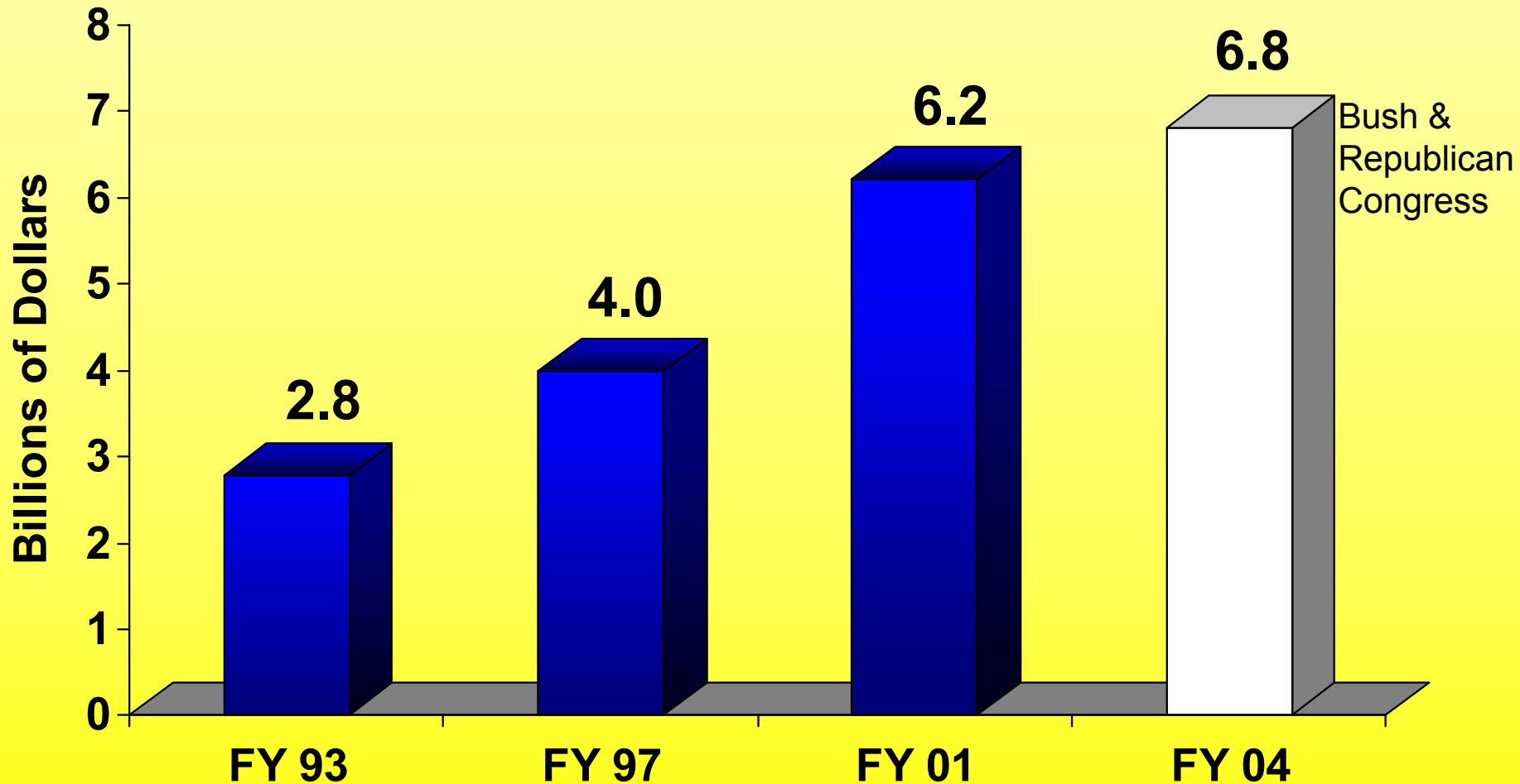
Spratt Event in New Haven January 2004



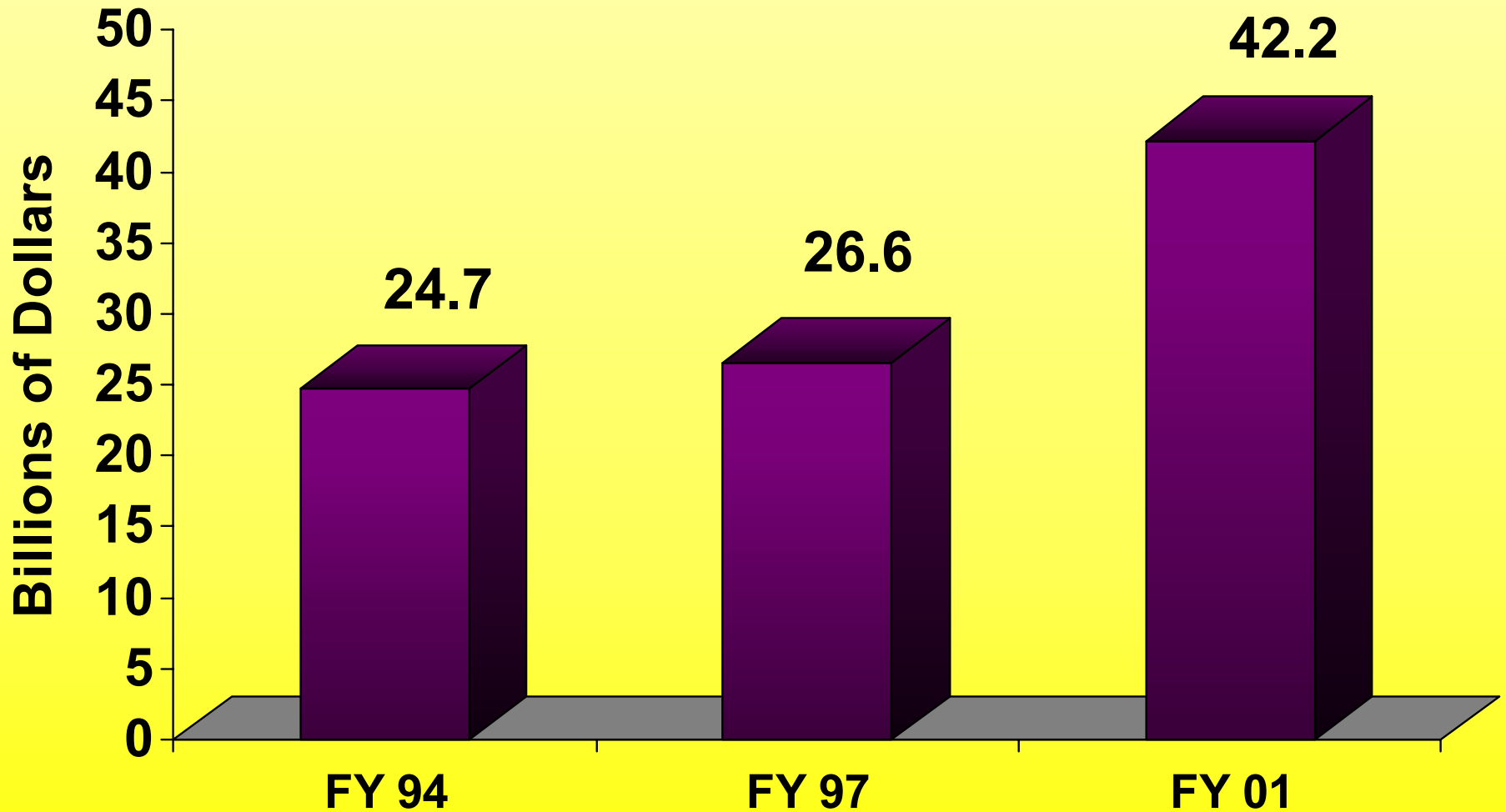
From Deficit to Surplus and Back Again

Fiscal Year	Deficit (-) or Surplus (+)	
	With Social Security	Without Social Security
1992	-290	-341
1993	-255	-300
1994	-203	-259
1995	-164	-226
1996	-108	-174
1997	-22	-103
1998	+69	-30
1999	+126	+1.9
2000	+236	+87
2001	+127	-33
2002	-158	-317
2003	-374	-535

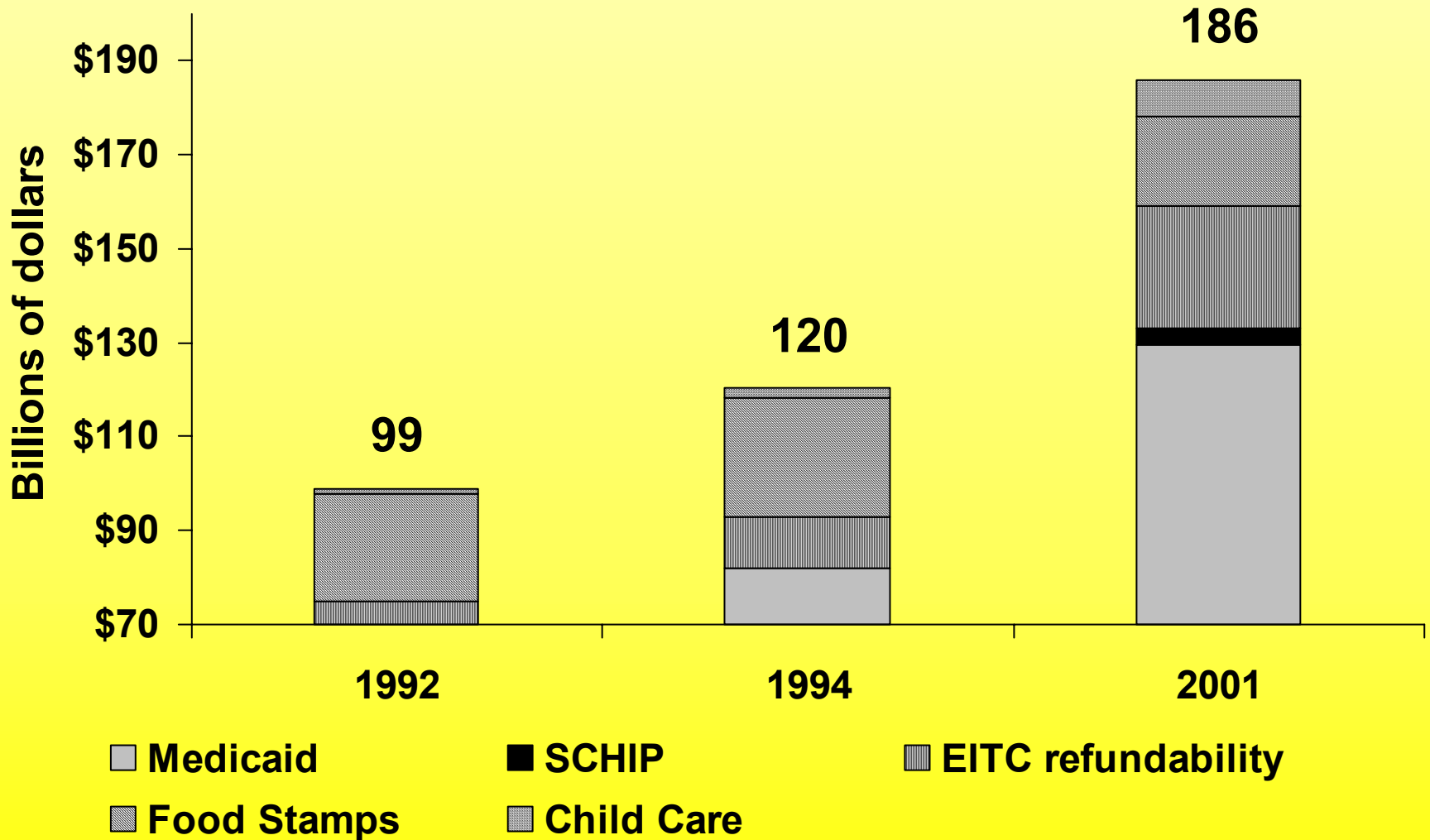
Head Start Funding Increased in Clinton Era



Education Funding Increased in Clinton Era



Spending for Work Supports Increased in Clinton Era

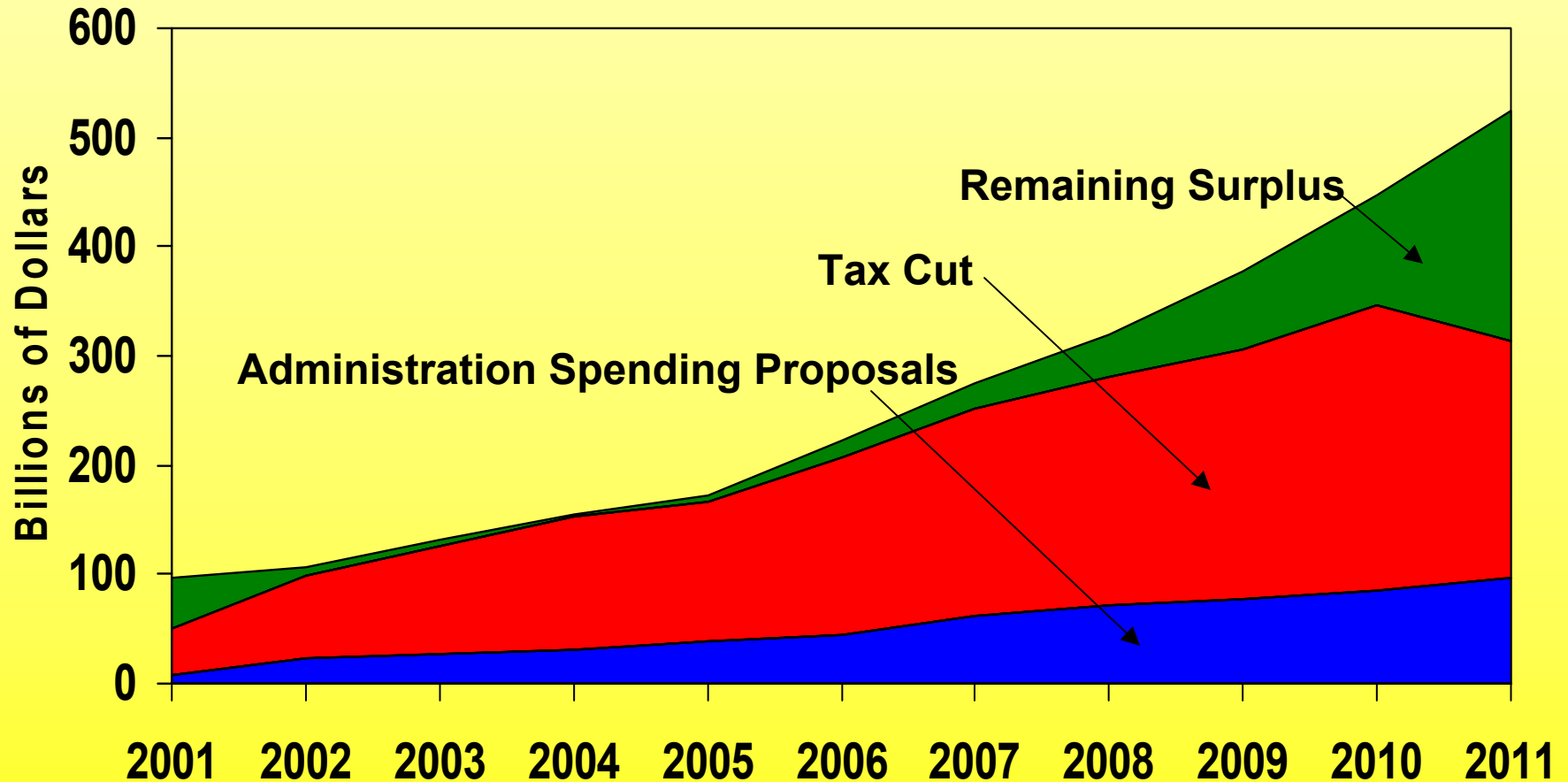


Surplus Declines \$9.1 Trillion Under Administration's Policies

Projected Unified Budget Surplus, Trillions of Dollars

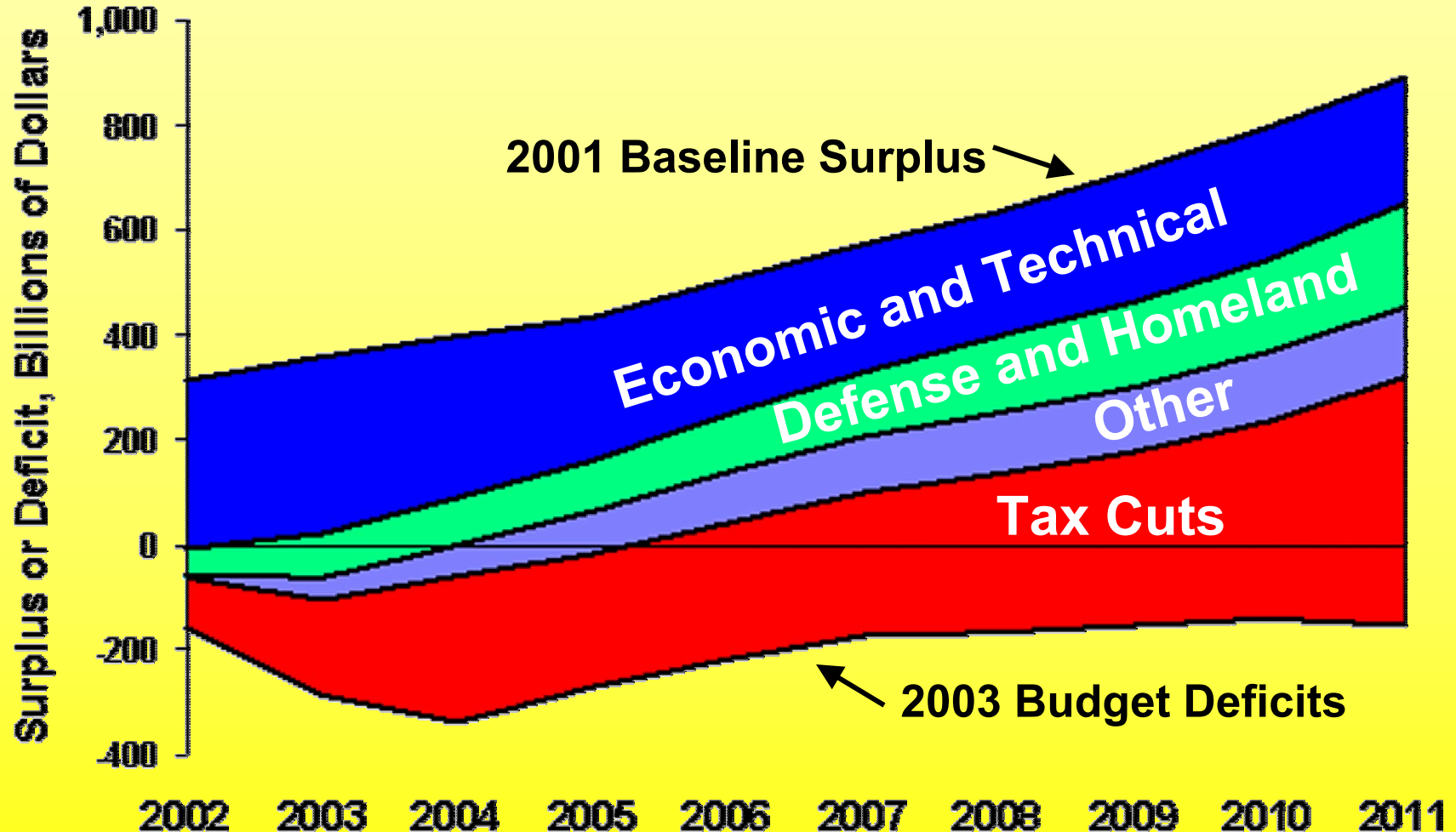
Time Frame	2002-2011
January 2001	5.610
August 2001	3.397
January 2002	1.601
August 2002	0.336
March 2003	-0.377
August 2003	-2.327
Republican Agenda	-3.529

First Administration Budget Left No Margin for Error



**April 2001 Projection of Non-Medicare, Non-Social Security Surplus;
Tax and Spending Proposals in House-Passed Budget Resolution for FY2002**

Republican Tax Cuts Keep Budget in Deficit



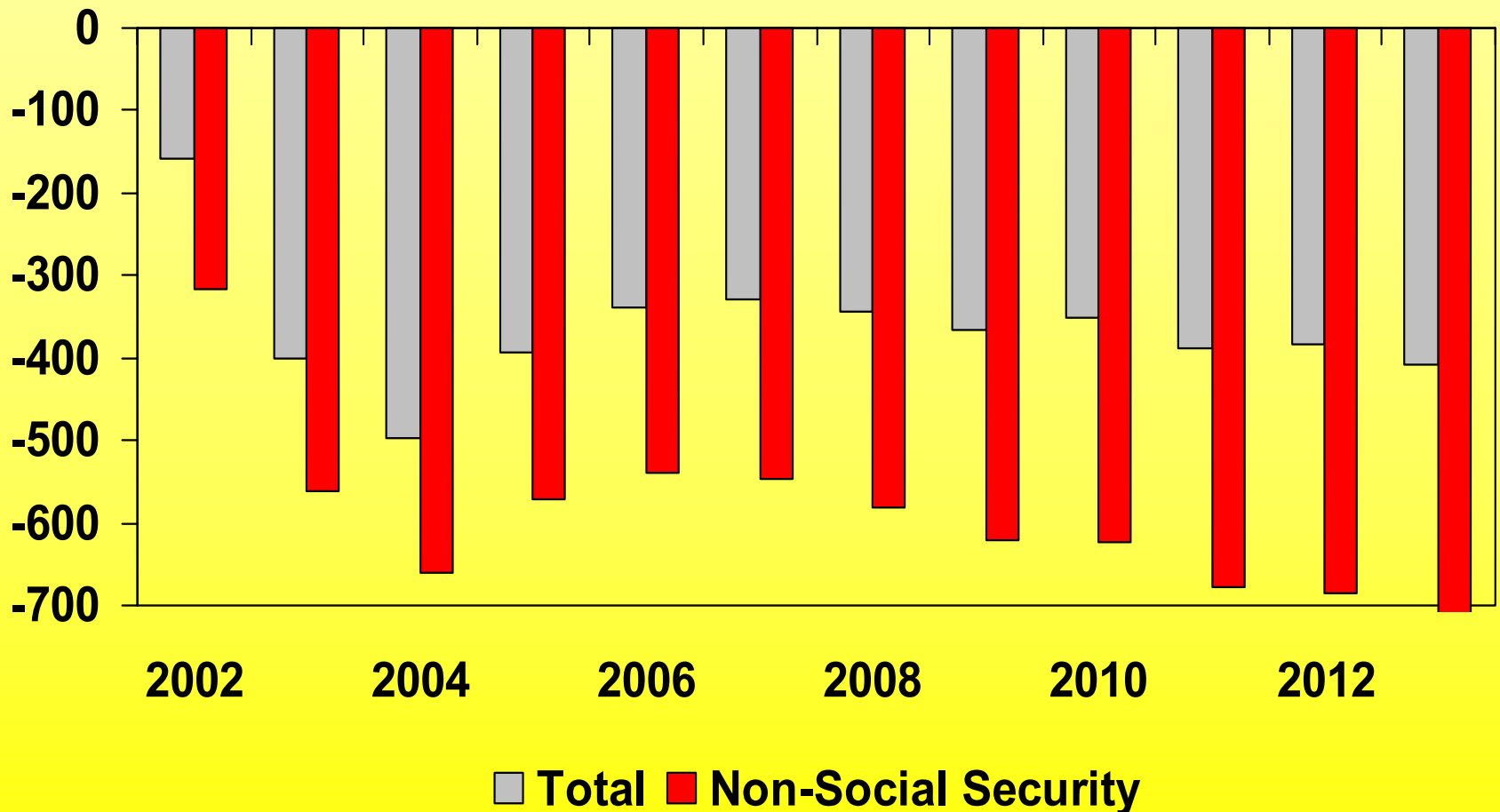
Sources: CBO 2001 Budget and Economic Outlook, 2003 Re-Estimate of the President's Budget

\$4.4 Trillion Tax Cut Agenda, 2001-2013

2001 Tax Cut	\$1.349 Trillion
2002 Tax Cut	\$0.039 Trillion
2003 Tax Cut	\$0.350 Trillion
Make Tax Cuts Permanent	\$0.878 Trillion
<u>Protect Middle Class from AMT</u>	<u>\$0.680 Trillion</u>
Direct Effect of Tax Agenda	\$3.295 Trillion
<u>+ Increased Debt Service</u>	<u>\$1.103 Trillion</u>
TOTAL IMPACT ON DEFICIT	\$4.398 Trillion

Grim Budget Outlook

Projected Federal Deficit, Billions of Dollars



Bush Agenda

Non-Social Security Deficit, Billions of Dollars

	2004	2013	'04-'13
CBO August Baseline	-644	-105	-3,833
Bush Defense Increase	0	-38	-212
Adjustment to War Cost	-10	75	490
Extend Tax Cuts	-3	-312	-1,132
Fix Alternative Minimum Tax	0	-149	-712
Medicare Prescription Drugs	-3	-85	-484
Additional Debt Service	0	-108	-338
Resulting Deficits	-660	-723	-6,221
Resulting Gross Debt	7,481	14,164	n/a

2001 vs 2004 Projections

• 2002– 2011 Adjusted Surplus	+4,975
• Economic Re-Estimates	-674
• Technical Re-Estimates	-2,621
• Tax Cuts, AMT, Extensions	-3,386
• Defense & International	-1,832
• Domestic Appropriations	-204
• Medicare RX Benefits	-328
• Other Entitlements	-302
• <i>Resulting Deficits</i>	<i>-4,371</i>

Figure 7:
Short and Midterm Causes of the Differences Between CBO's January 2001
Projections (Adjusted for Comparability) and Our Projections

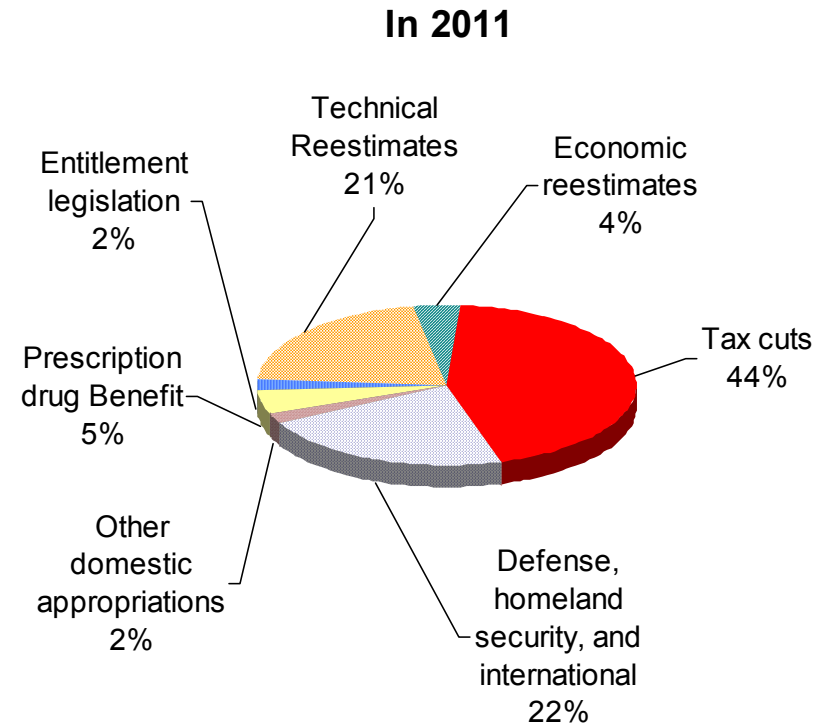
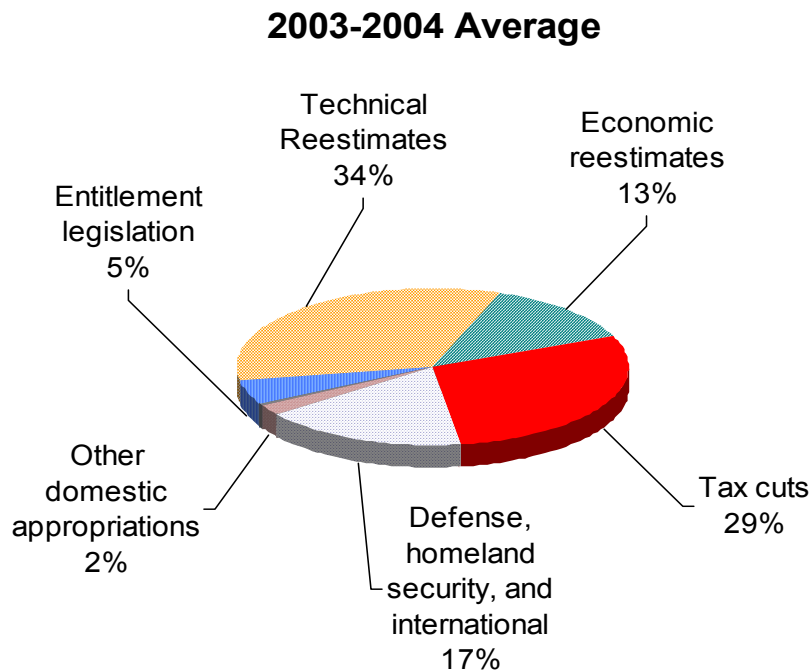
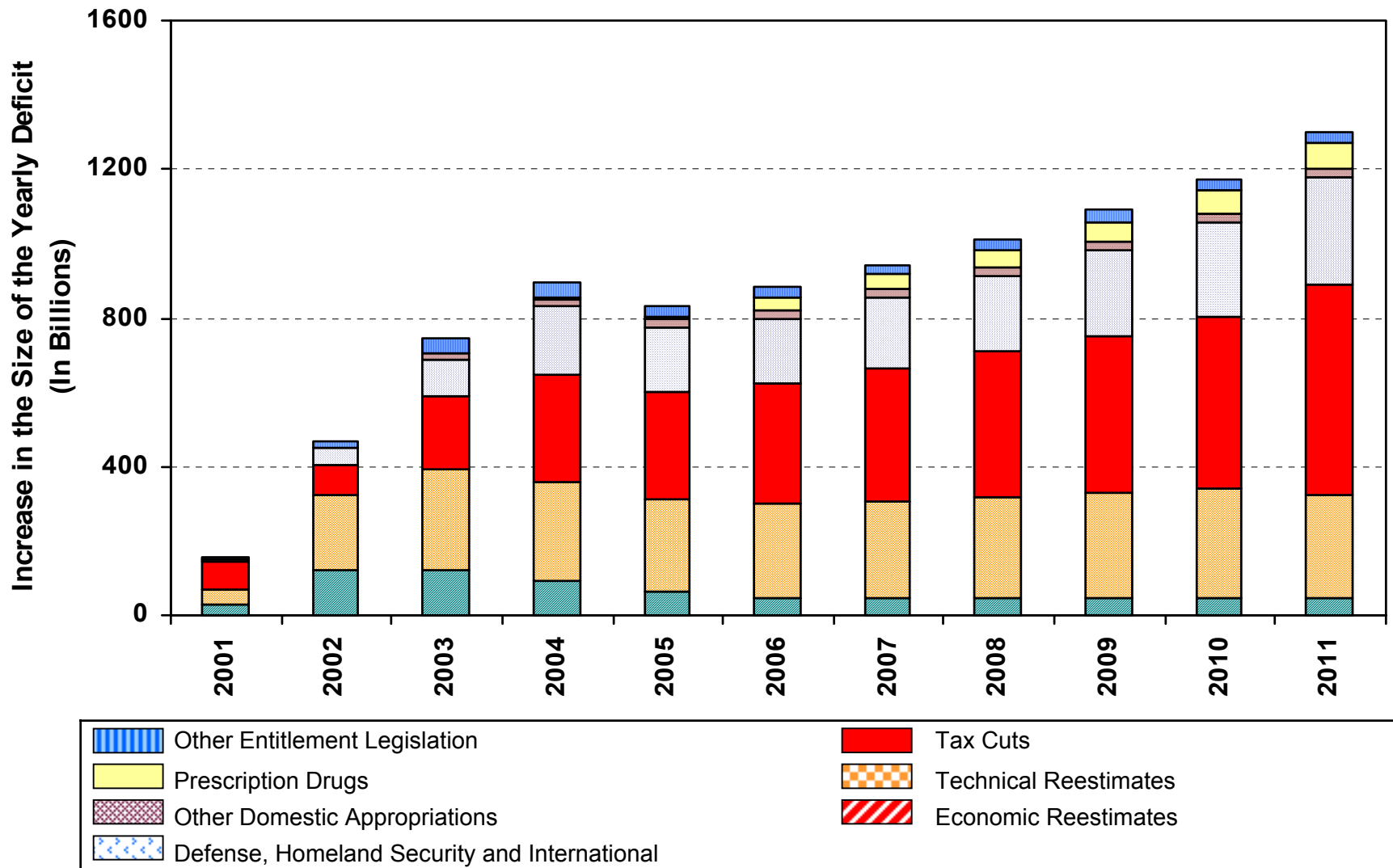
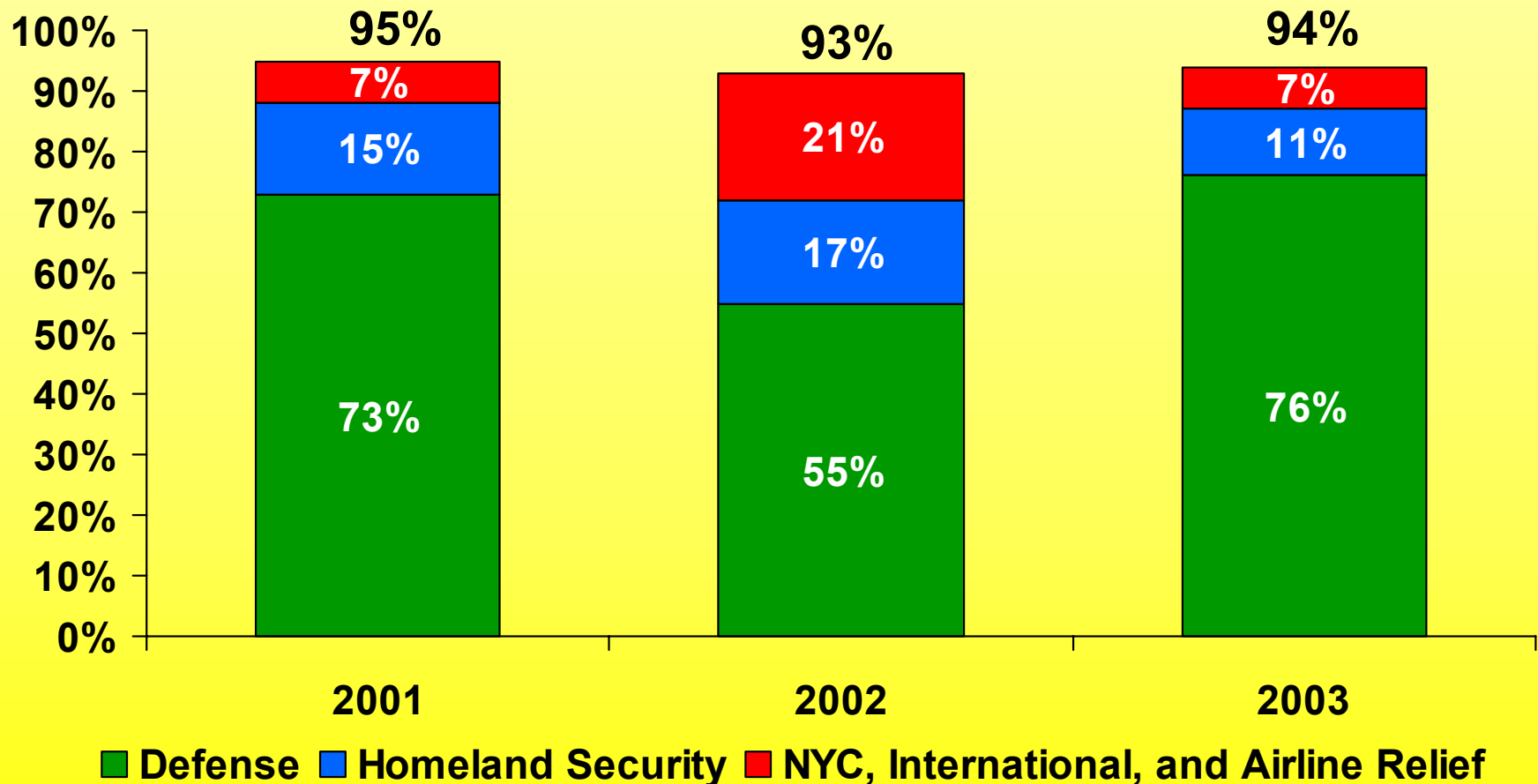


Figure 6:
What Has Caused the \$9.3 Trillion Difference Between
CBO's January 2001 Projections (Adjusted For Comparability)
and Our Current Projections?



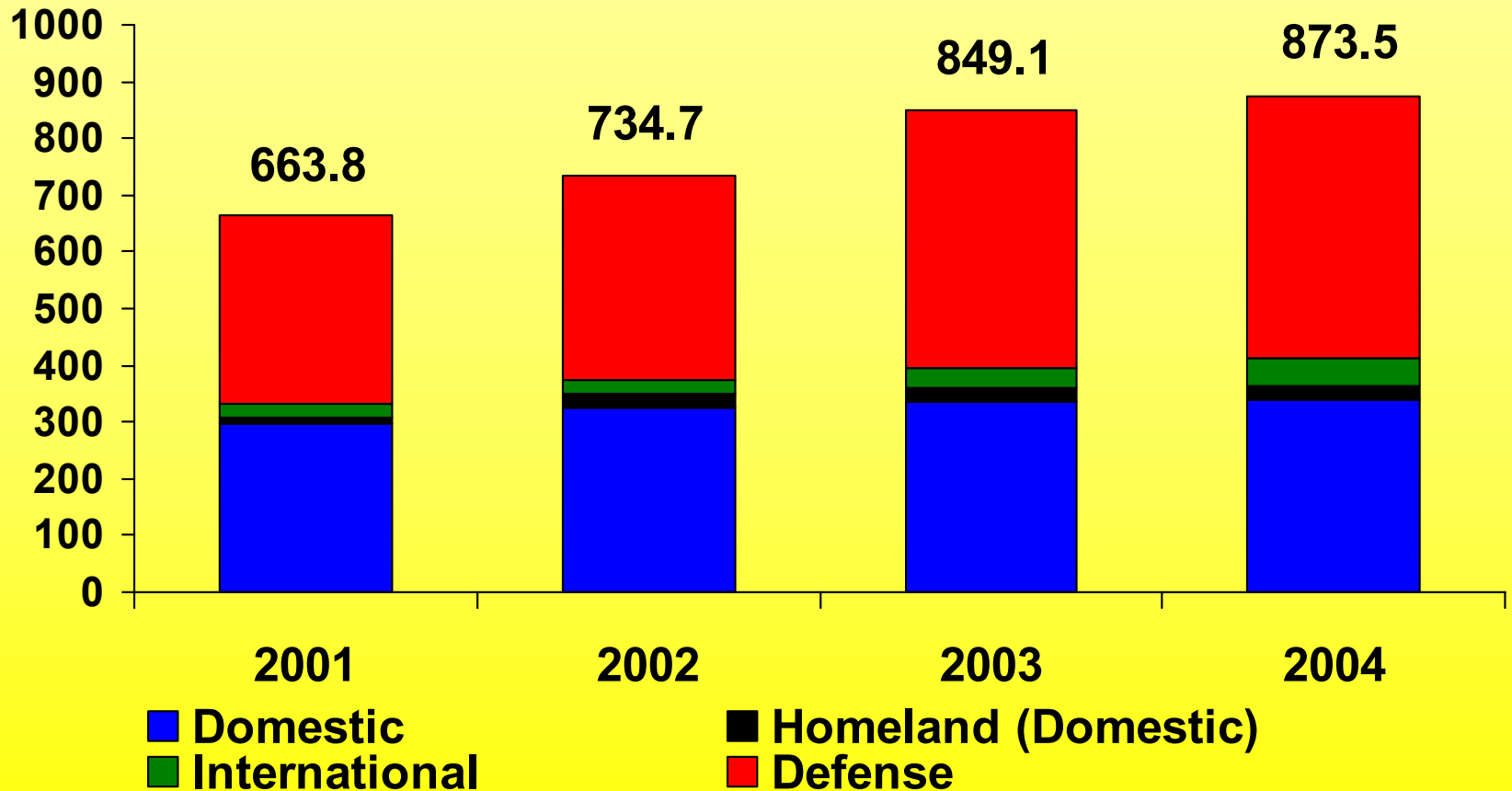
Defense, 9/11 Response, and Homeland Security Account for Most Discretionary Funding Increases, FY 2001-2003



Discretionary Funding Totals

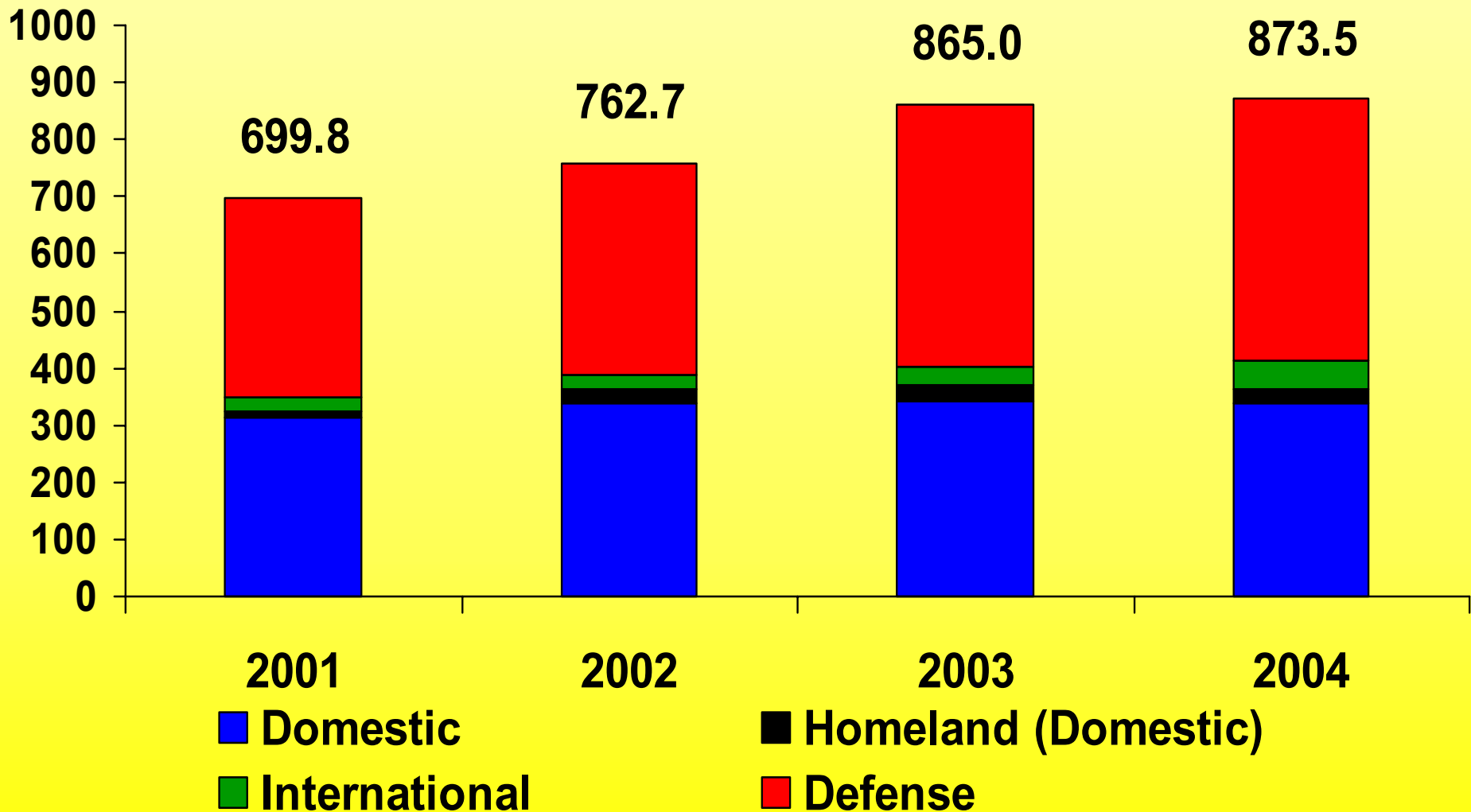
(billions of dollars)

Domestic Funding is Flat,
Defense and International Funding Increase



Discretionary Funding Totals

(billions of constant 2004 dollars)



Domestic Discretionary Funding

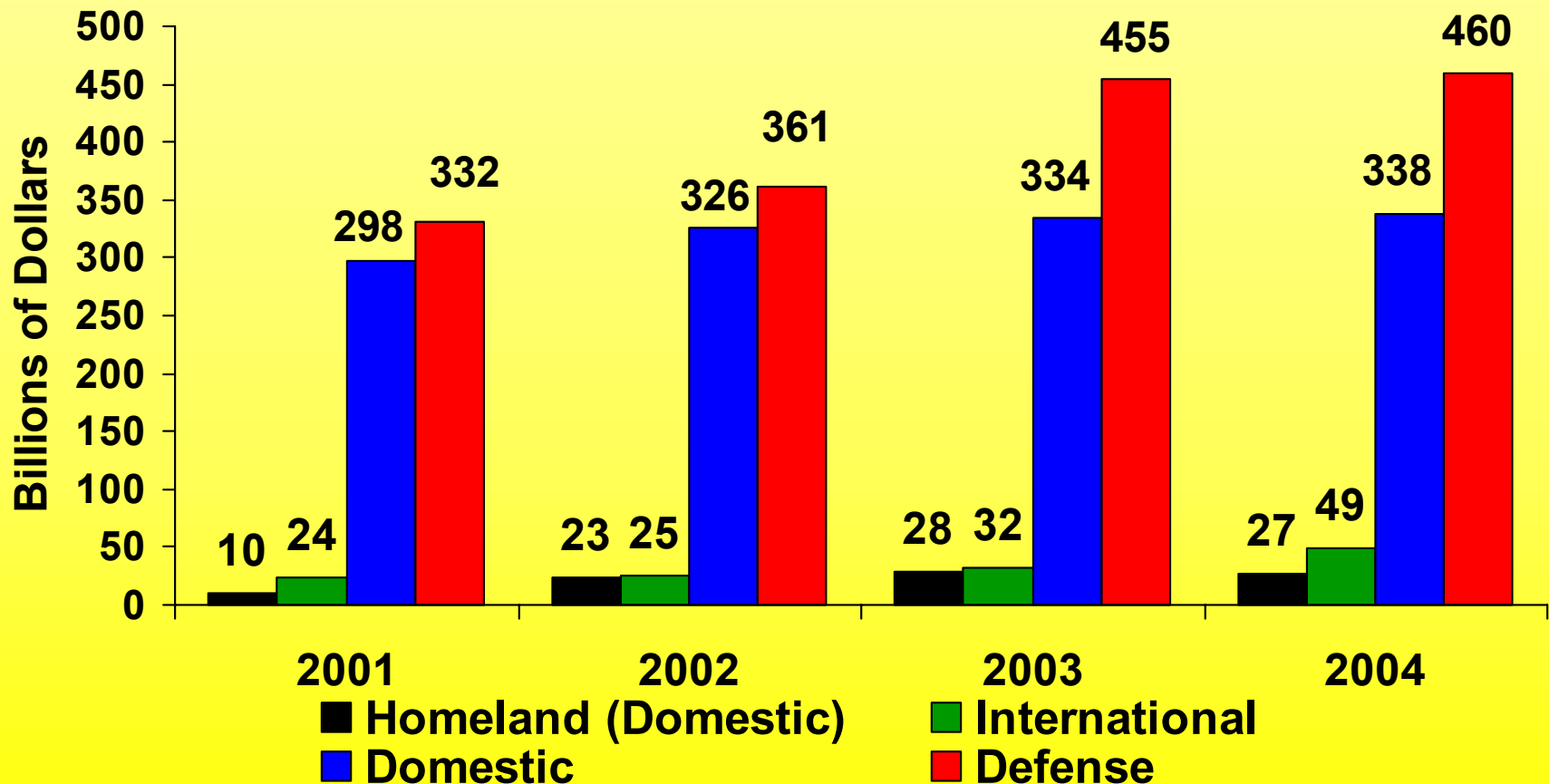
(excluding Homeland Security)

Budget Authority, Billions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	297.5	325.7	334.0	337.9
<i>Annual Percent Change</i>		9.5%	2.5%	1.2%
Constant (2004) Dollars	313.8	338.9	340.6	337.9
<i>Annual Percent Change</i>		8.0%	0.5%	-0.8%

Discretionary Funding Increases Under President Bush

Domestic Funding Remains Flat,
Defense and International Funding Increase



Defense Funding

Budget Authority, Billions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	331.7	360.8	454.9	460.0
<i>Annual Percent Change</i>		8.8%	26.1%	1.1%
Constant (2004) Dollars	348.6	370.6	460.6	460.0
<i>Annual Percent Change</i>		6.3%	24.3%	-0.1%

International Funding

Budget Authority, Billions of Dollars

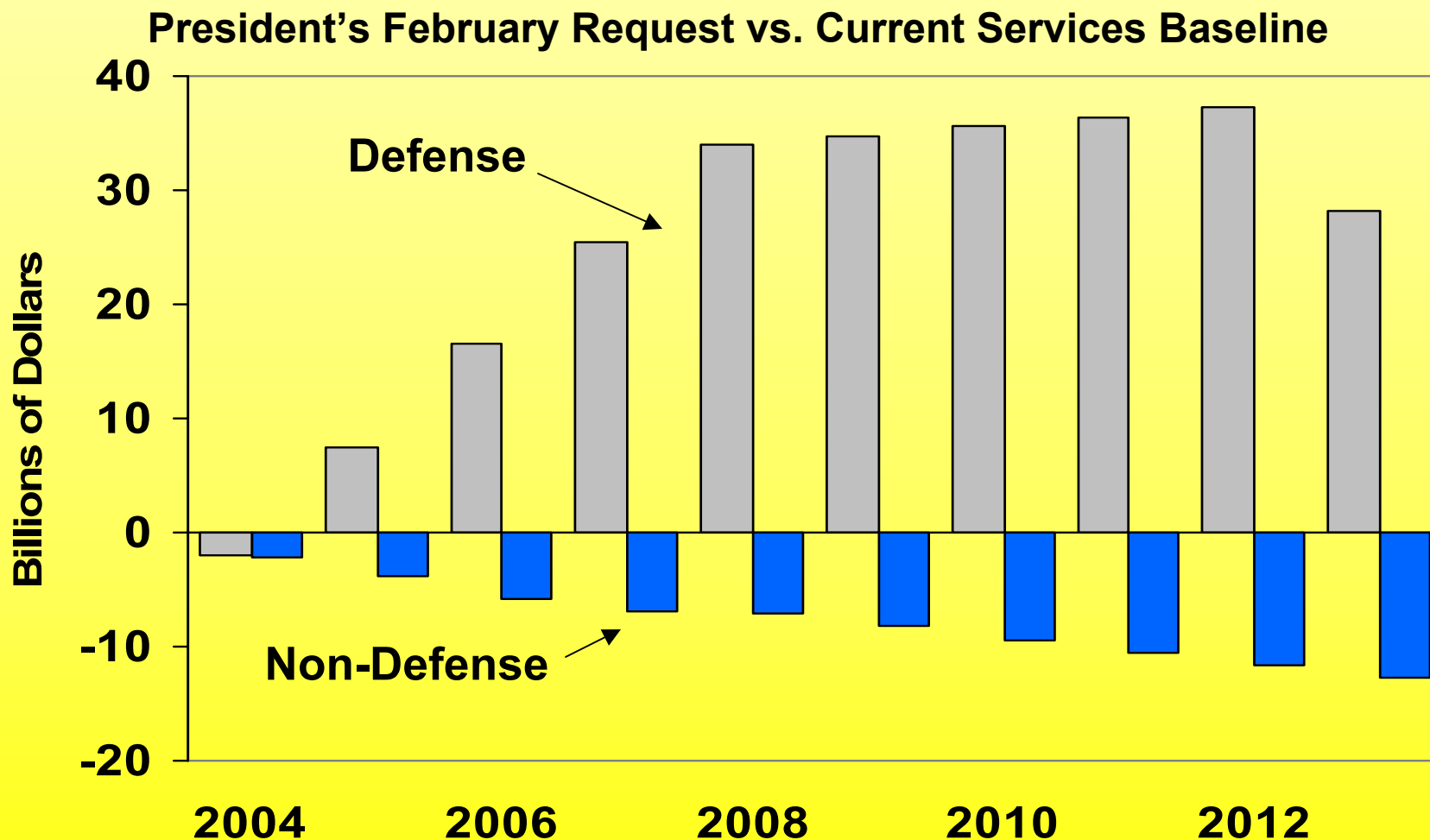
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	24.2	25.2	32.4	48.8
<i>Annual Percent Change</i>		4.1%	28.6%	50.8%
Constant (2004) Dollars	25.5	26.2	33.0	48.8
<i>Annual Percent Change</i>		2.7%	26.0%	47.9%

Homeland Security Funding— Domestic Appropriations

Budget Authority, Billions of Dollars

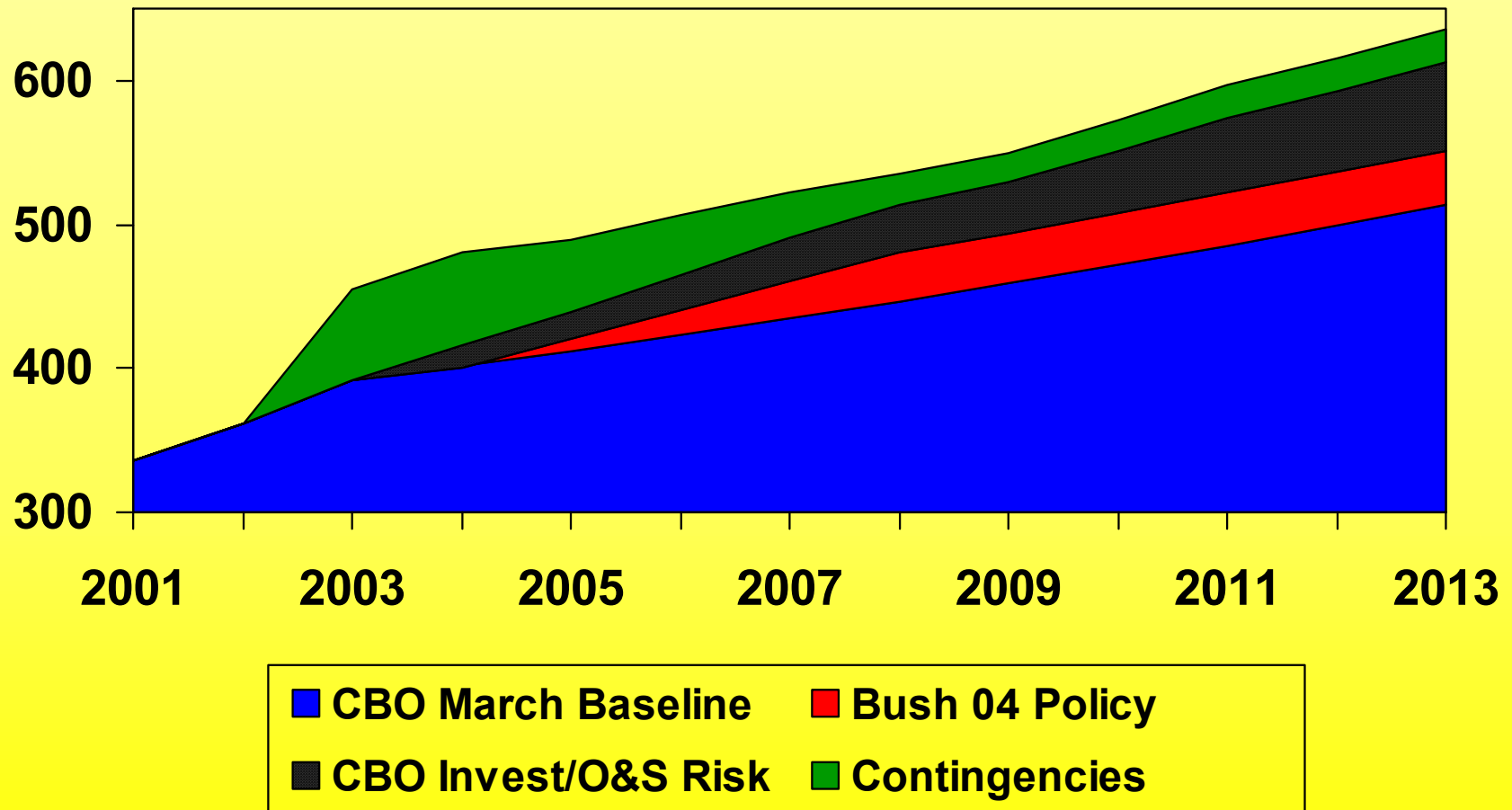
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	10.4	23.0	27.9	26.8
<i>Annual Percent Change</i>		120.7%	21.5%	-3.9%
Constant (2004) Dollars	11.0	23.9	28.5	26.8
<i>Annual Percent Change</i>		117.7%	19.1%	-5.8%

President Proposes Defense Increases and Non-Defense Cuts



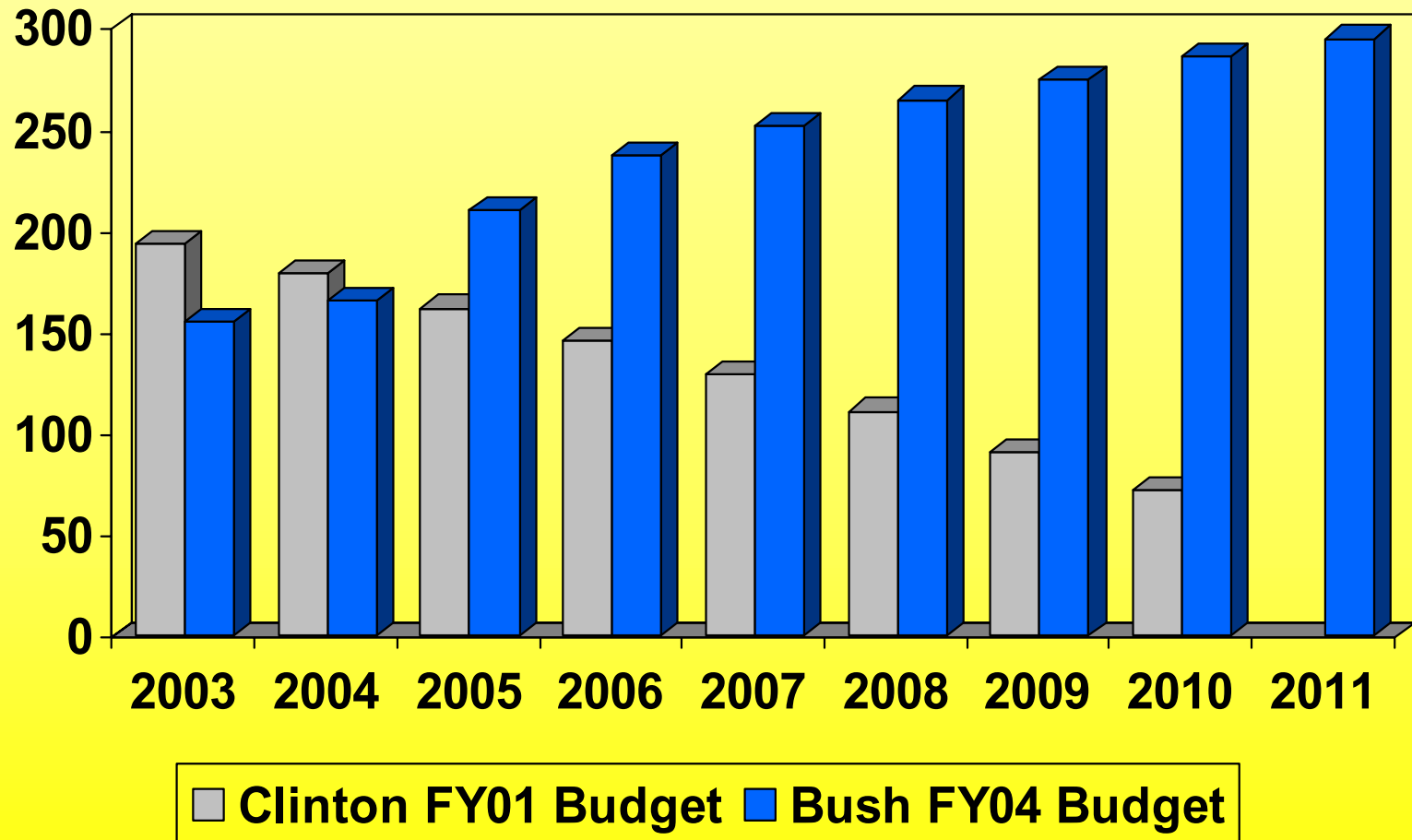
CBO Study Highlights Possible Future Defense Increases

Billions of Dollars

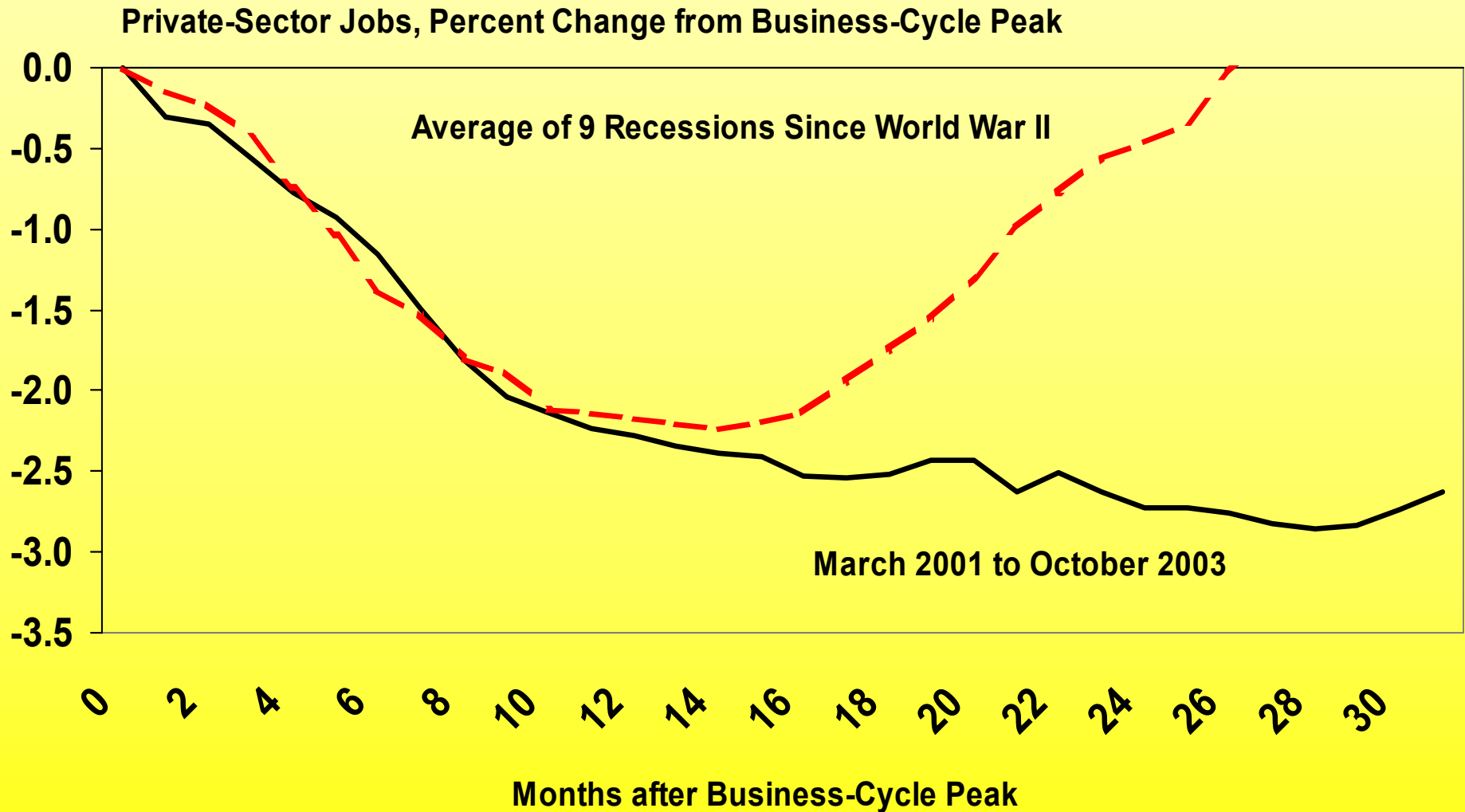


Interest Payments on Federal Debt Increasing Dramatically

CBO Estimates, Billions of Dollars

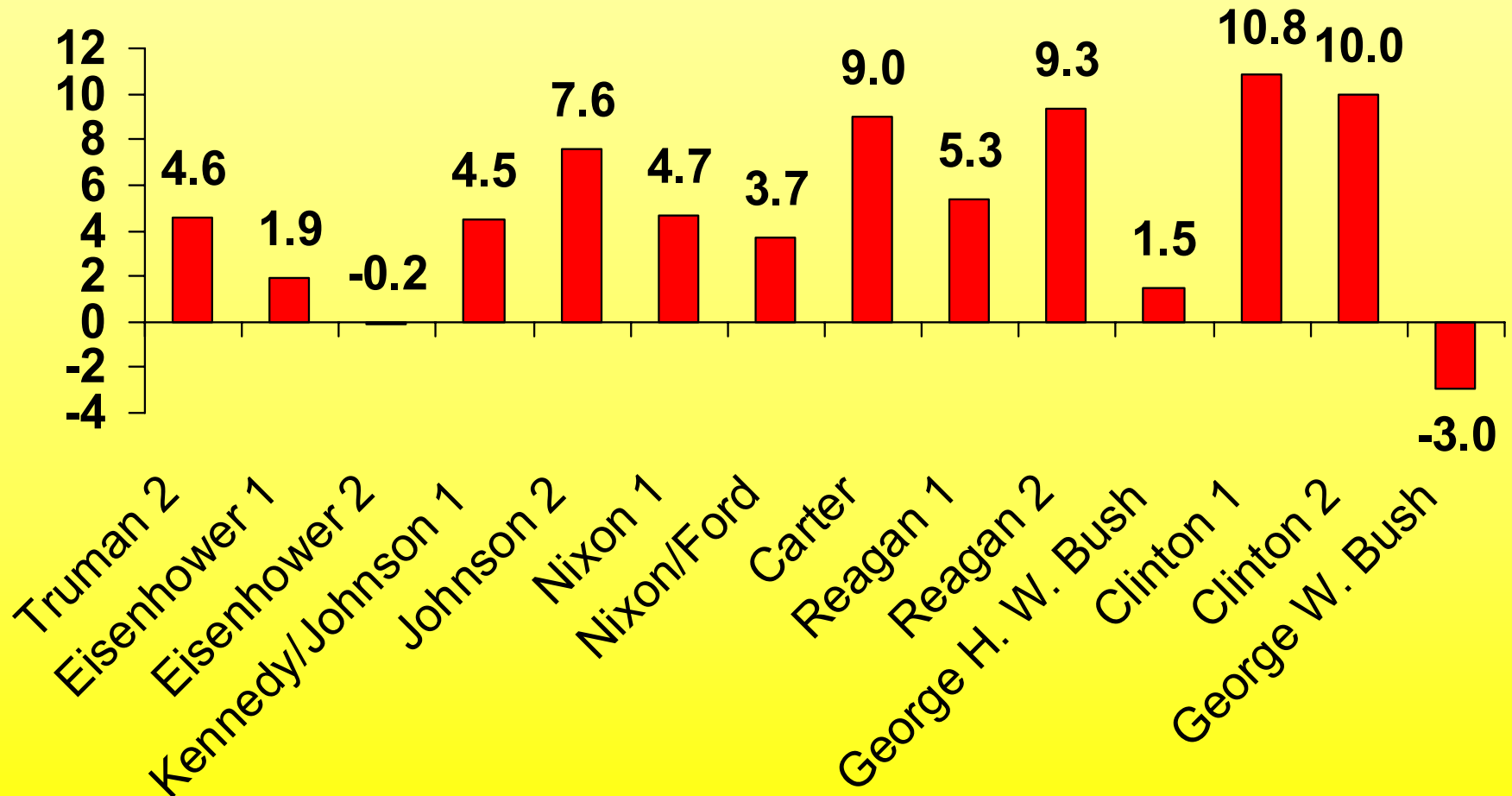


The Job-Loss Recovery

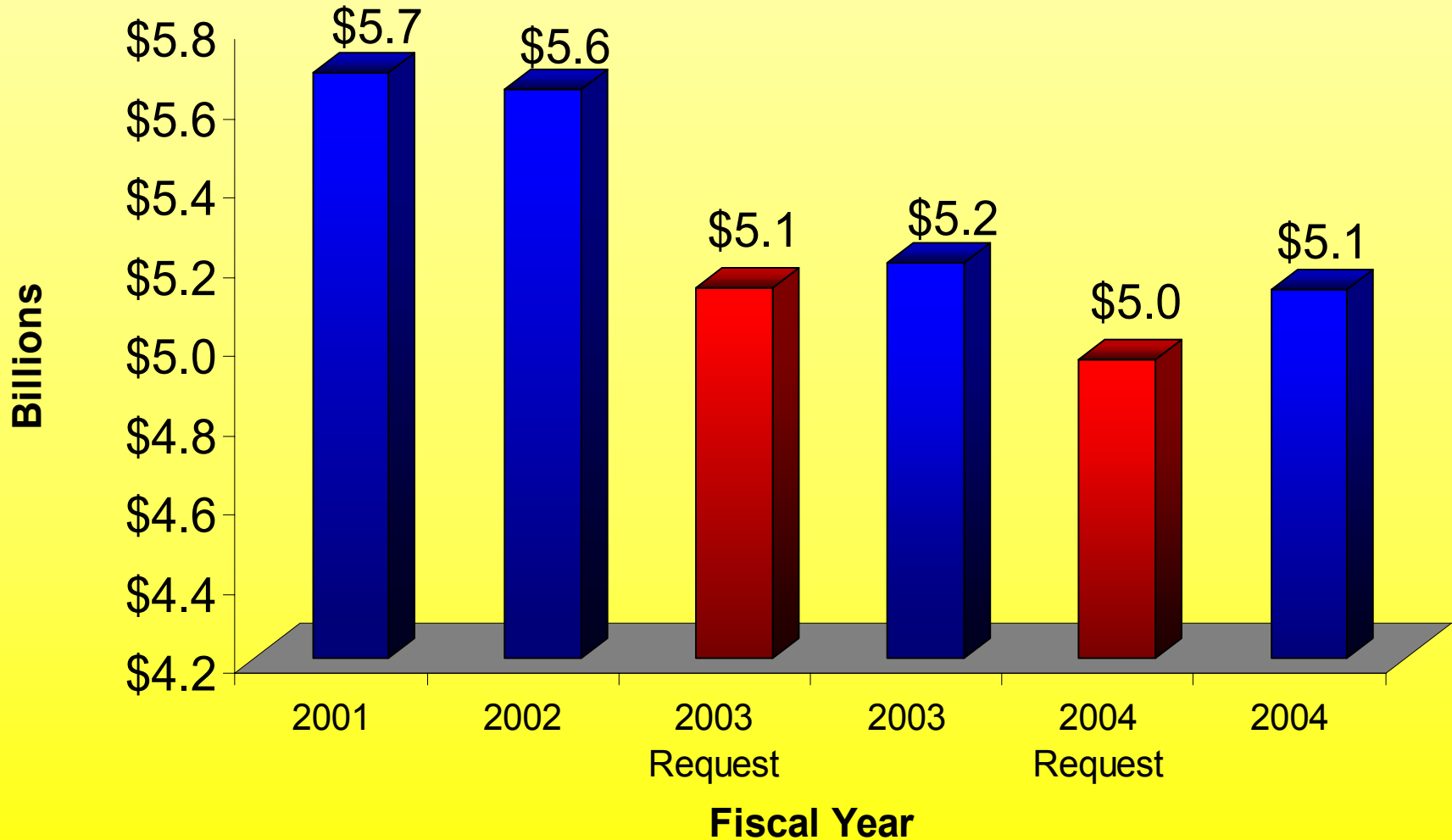


Private-Sector Job Growth Since World War II

Millions of Private-Sector Jobs



Workforce Investment Act Funding



2004 Budget Slowly Erodes Funding for Some Appropriated Low-Income Programs

(dollars in millions)

	<i>Amount needed to maintain current services</i>	<i>Likely 2004 funding level</i>	<i>Change from current service levels</i>
Rehabilitation of Dilapidated Public Housing (HOPE VI)	\$577	\$150	-\$428
Public Housing Operating and Capital Funds	\$6,371	\$6,275	-\$96
Housing for Elderly and Disabled	\$1,040	\$1,023	-\$17
Child Care Block Grant to States	\$2,113	\$2,088	-\$25

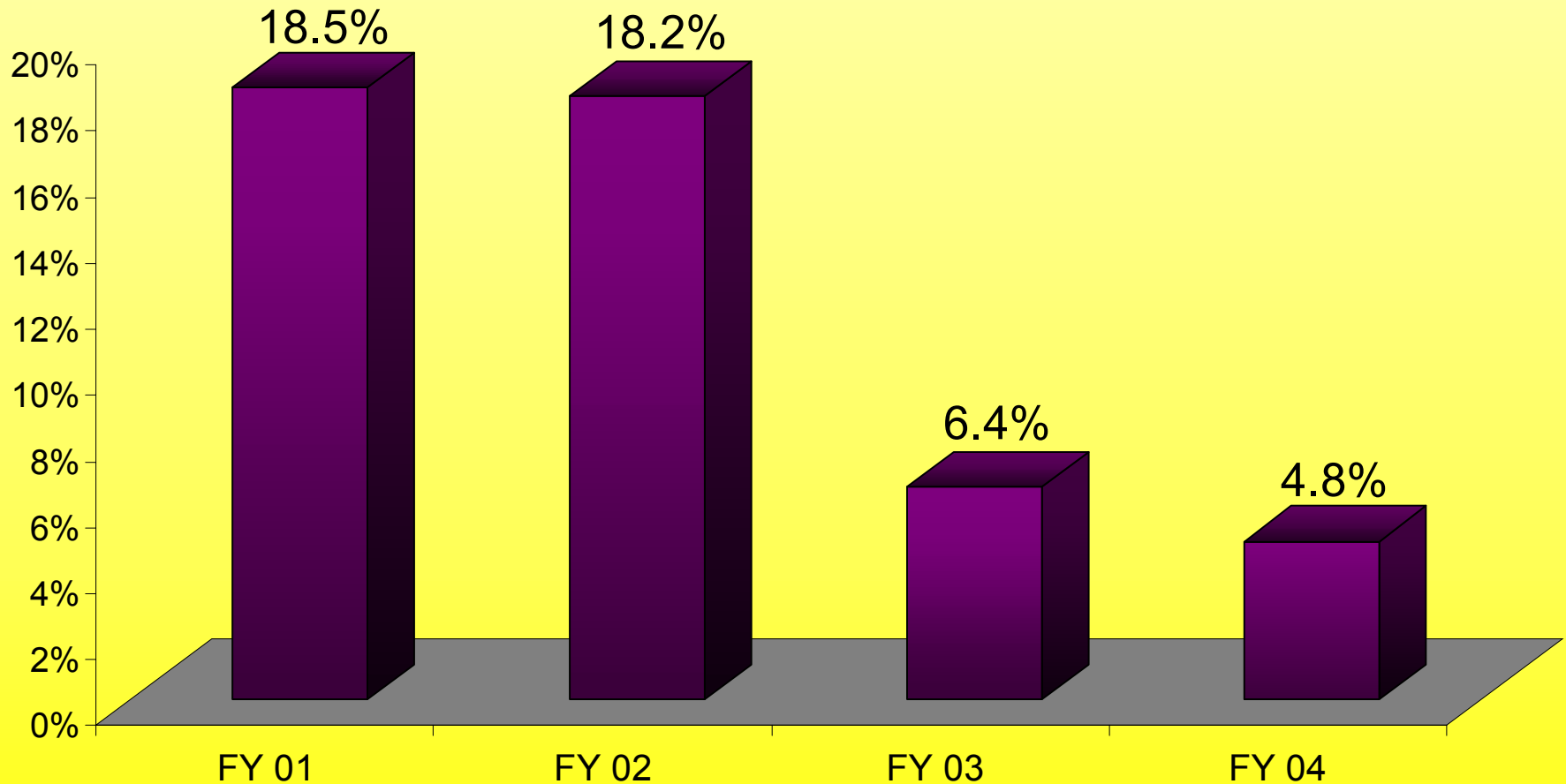
Department of Education Funding

Budget Authority, Billions of Dollars

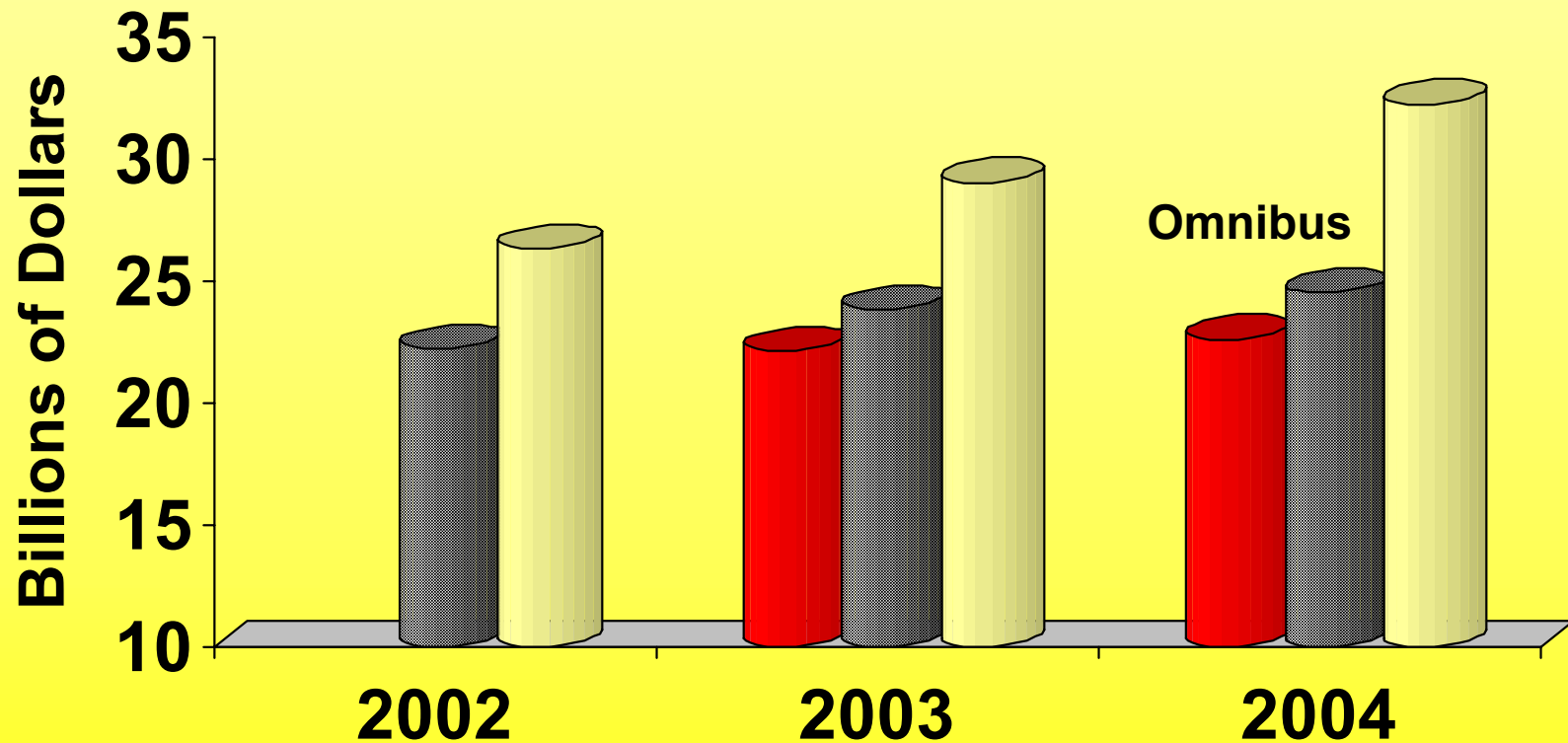
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	42.2	49.9	53.1	55.7
<i>Annual Percent Change</i>		18.2%	6.4%	4.8%
Constant (2004) Dollars	44.5	51.9	54.2	55.7
<i>Annual Percent Change</i>		16.6%	4.4%	2.8%

Department of Education Funding History

Expressed as Percentage Increase Over Prior Year



Republican Under-Funding of “No Child Left Behind”



■ Bush Request ■ Appropriation □ Authorized Level

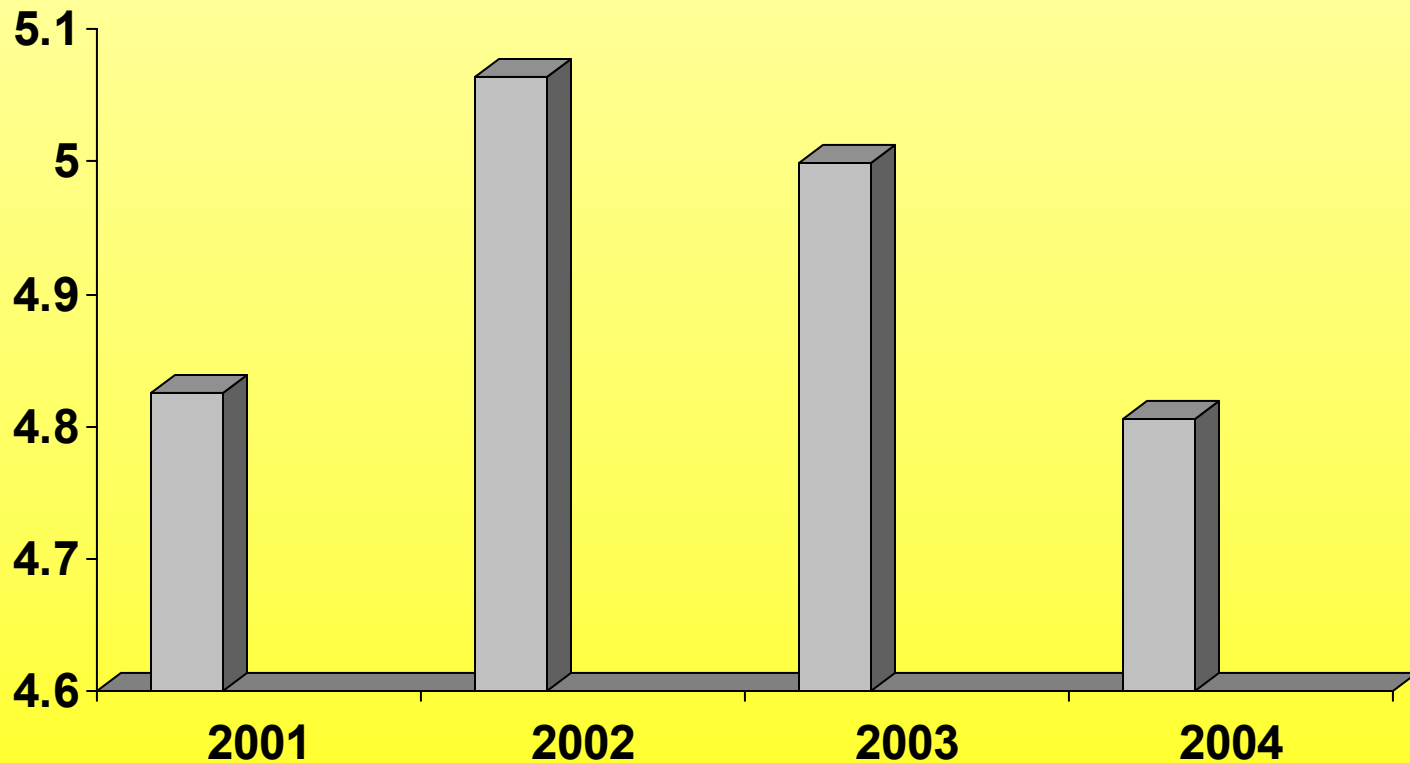
Child Care Funding

Budget Authority, Billions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	4.6	4.9	4.8	4.8
<i>Annual Percent Change</i>		6.3%	-1.1%	0.0%
Constant (2004) Dollars	4.8	5.1	5.0	4.8
<i>Annual Percent Change</i>		5.0%	-1.3%	-3.9%

Child Care Funding Declined in Real Terms After 2002

(billions of constant 2004 dollars)



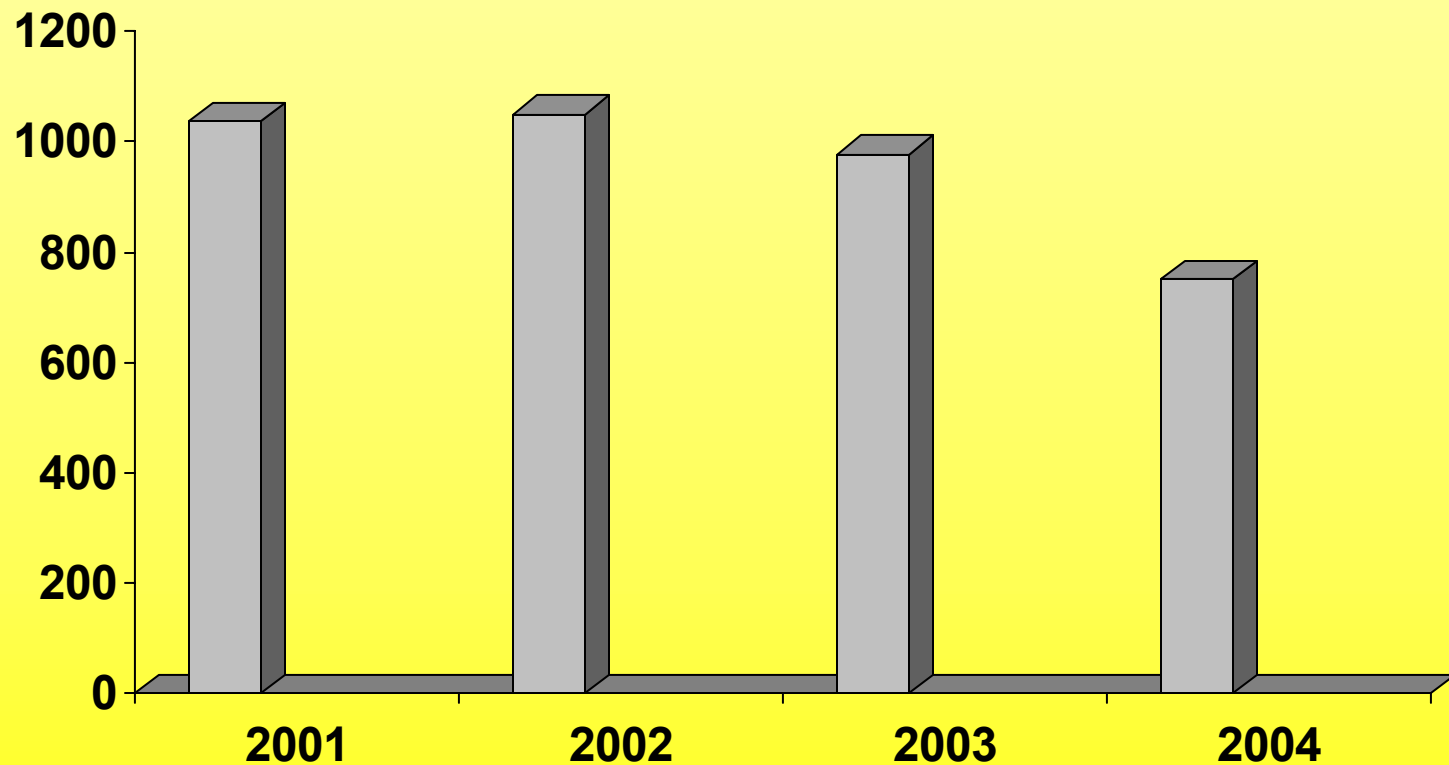
Community Oriented Policing (COPS) Funding

Budget Authority, Millions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	1,037	1,050	978	750
<i>Annual Percent Change</i>		1.3%	-6.9%	-23.3%
Constant (2004) Dollars	1,094	1,092	998	750
<i>Annual Percent Change</i>		-0.2%	-8.6%	-24.8%

Funding for Community Oriented Policing (COPS) Declines 28% In Bush Administration

(millions of dollars)



Medicaid/SCHIP Spending

Outlays, Billions of Dollars

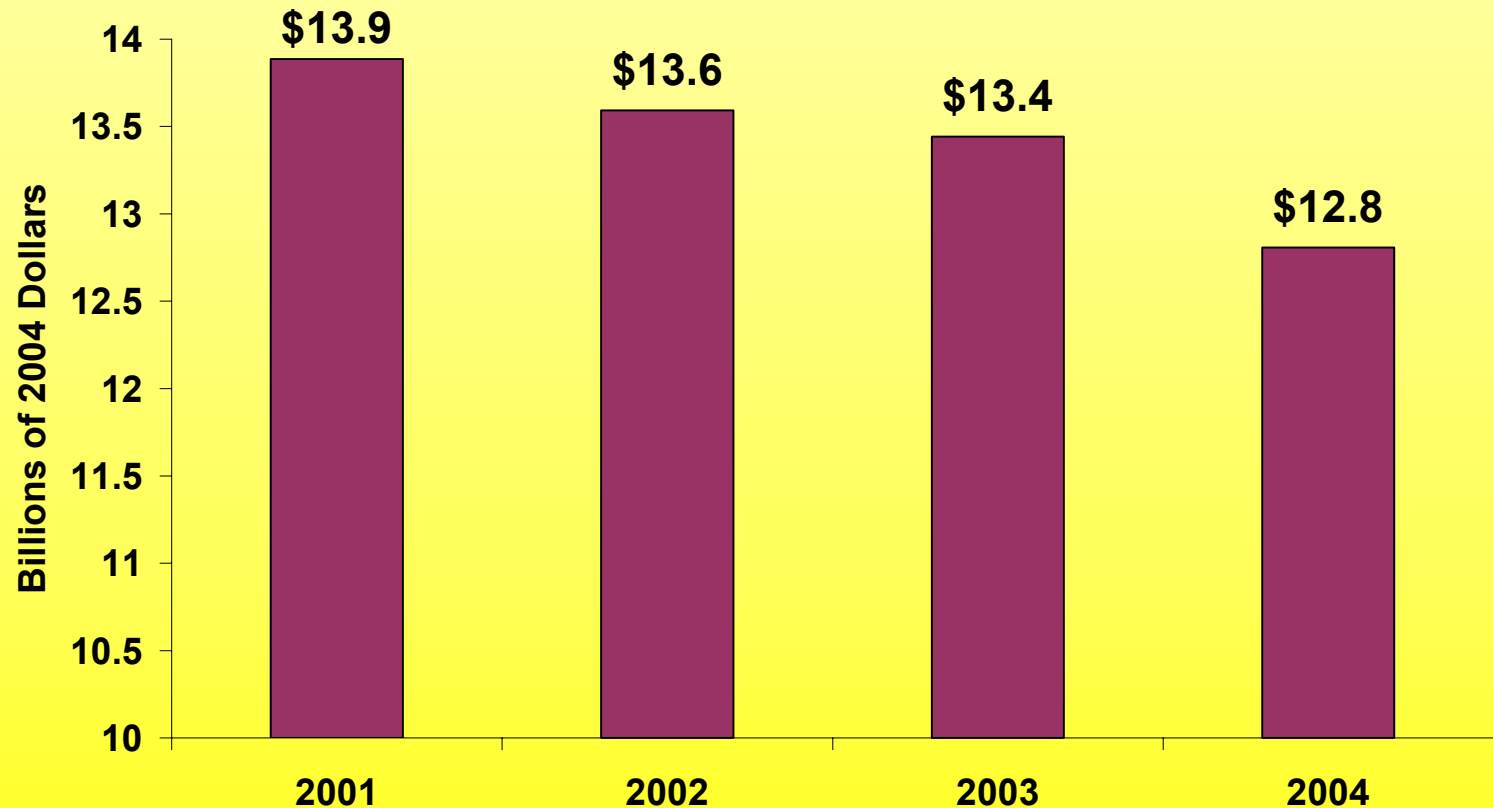
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Medicaid</u>				
Dollars	129.4	147.5	162.5	175.2
<i>Annual Percent Change</i>		14.0%	10.2%	7.8%
Constant (2004) Dollars	136.5	153.5	165.8	175.2
<i>Annual Percent Change</i>		12.5%	8.0%	5.7%
<u>SCHIP</u>				
Dollars	3.7	3.7	4.4	5.0
<i>Annual Percent Change</i>		-0.5%	18.7%	14.7%
Constant (2004) Dollars	3.9	3.8	4.5	5.0
<i>Annual Percent Change</i>		-1.8%	16.3%	12.4%

Housing Funding

Budget Authority, Billions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Including Section 8</u>				
Dollars	25.1	27.0	28.7	32.1
<i>Annual Percent Change</i>		7.3%	6.4%	11.8%
Constant (2004) Dollars	26.5	28.1	29.3	32.1
<i>Annual Percent Change</i>		6.0%	4.1%	9.6%
<u>Excluding Section 8</u>				
Dollars	13.2	13.0	13.2	12.8
<i>Annual Percent Change</i>		-0.9%	1.1%	-2.8%
Constant (2004) Dollars	13.9	13.6	13.4	12.8
<i>Annual Percent Change</i>		-2.1%	-1.1%	-4.7%

Housing Programs (Excluding Section 8) Lose \$1.1 Billion in Purchasing Power 2001-2004

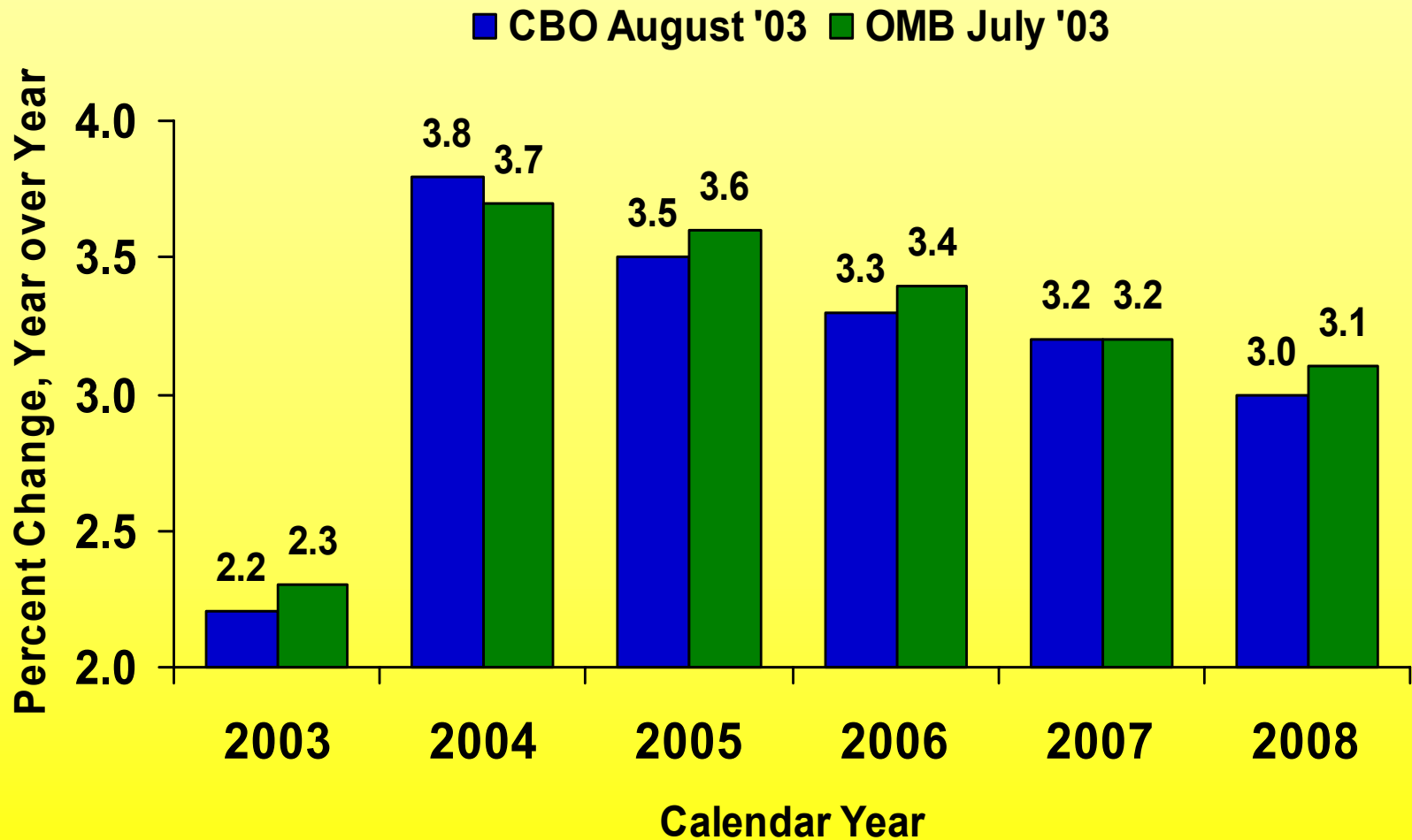


Juvenile Justice Funding

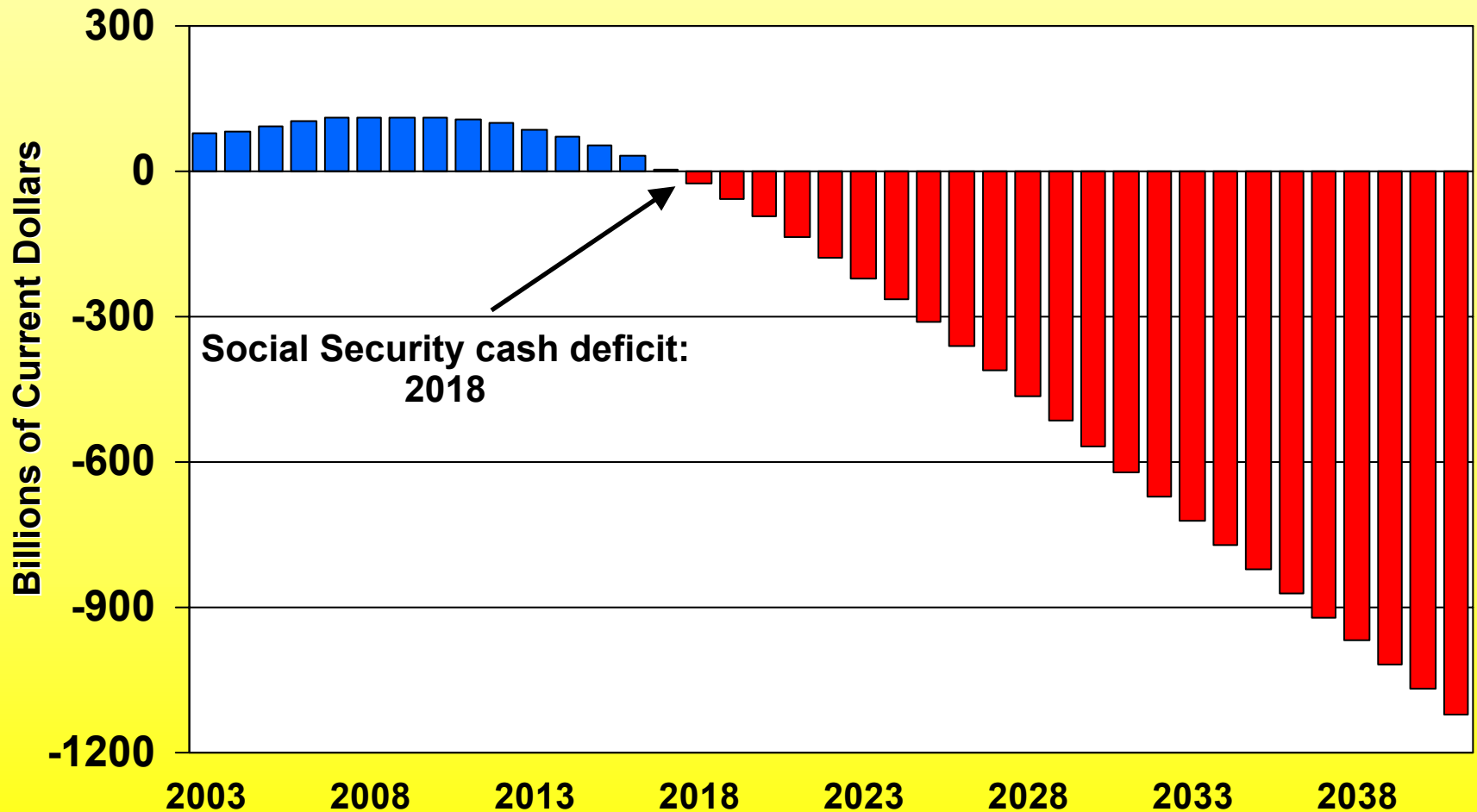
Budget Authority, Millions of Dollars

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dollars	292	299	266	330
<i>Annual Percent Change</i>	4.3%	2.4%	-11.0%	24.0%
Constant (2004) Dollars	308	311	271	330
<i>Annual Percent Change</i>		1.0%	-12.9%	21.8%

Budget Projections Already Assume Strong Growth

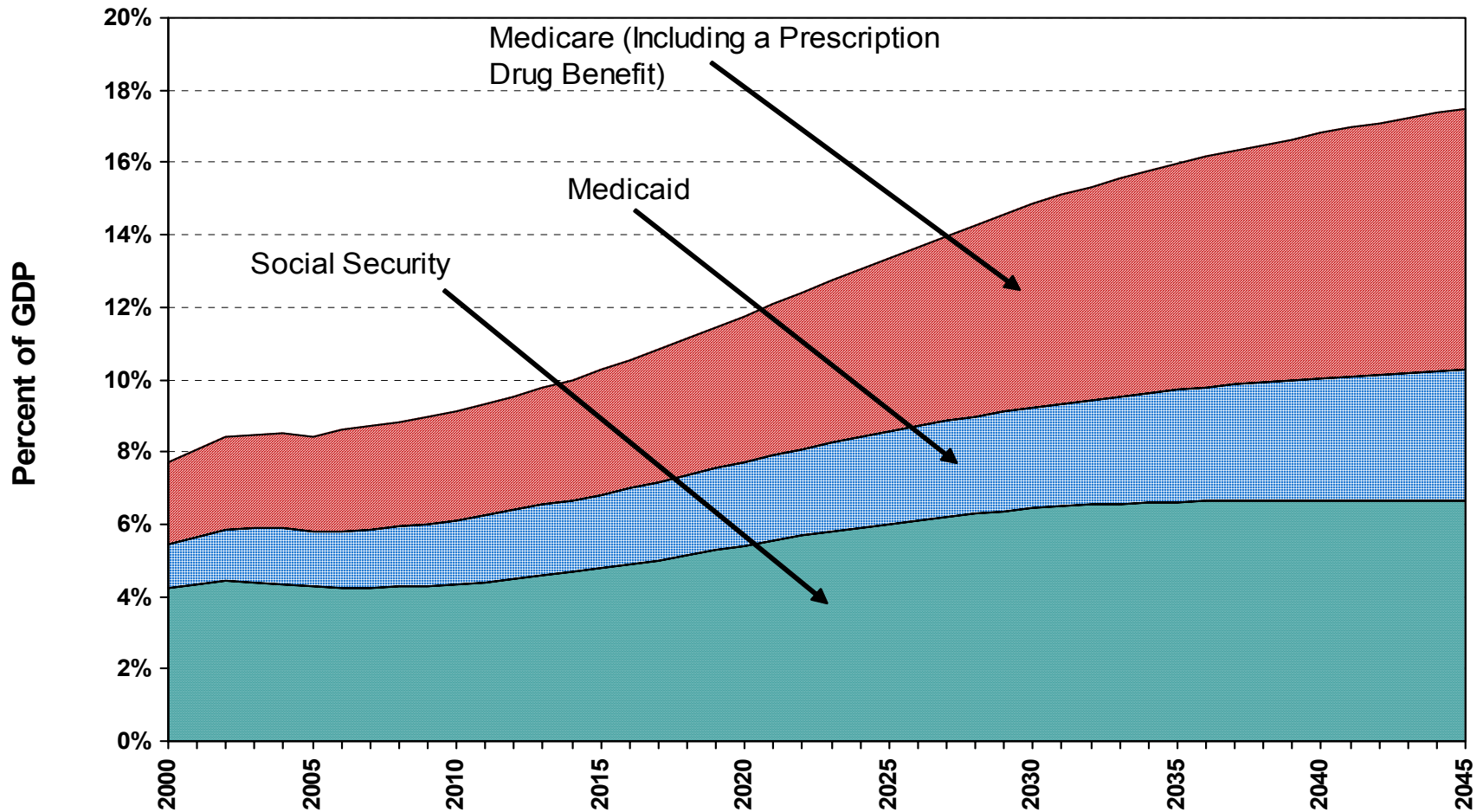


Social Security Trust Funds Face Cash Deficit as Baby Boomers Retire



Source: SSA

**Figure 10:
Medicaid, Medicare, and Social Security are
Expected to Rise Rapidly (2000-2045)**



“With budget projections showing large federal fiscal deficits over the next decade, the recent emphasis on cutting taxes, boosting defense and security outlays, and spurring an economic recovery may come at the eventual cost of upward pressure on interest rates, a crowding out of private investment, and an erosion of longer-term U.S. productivity growth.”

- International Monetary Fund, “U.S. Fiscal Policies and Priorities For Long-Run Stability,” January 2004

“The evaporation of fiscal surpluses has left the budget even less well prepared to cope with the retirement of the baby boom generation, which will begin later this decade and place massive pressure on the Social Security and Medicare systems.”

- International Monetary Fund, “U.S. Fiscal Policies and Priorities For Long-Run Stability,” January 2004

“The inability of the federal government to restore fiscal balance may directly reduce business and consumer confidence . . . and the reduction in confidence can discourage investment and real economic activity.”

- Peter R. Orszag, Robert E. Rubin, and Allen Sinai, “Sustained Budget Deficits: Longer-Run U.S. Economic Performance and the Risk of Financial and Fiscal Disarray,” January 2004

“The story is a familiar one: budget deficits tend to reduce national saving and therefore put upward pressure on interest rates.”

- Peter R. Orszag, Robert E. Rubin, and Allen Sinai, “Sustained Budget Deficits: Longer-Run U.S. Economic Performance and the Risk of Financial and Fiscal Disarray,” January 2004

“Less revenue remains available to pay for federal programs of any kind (from Social Security to education to defense) because more revenue is diverted paying for interest on the debt. Over time, large deficits cannot be sustained. Nations, like individuals, cannot have their debt continually rise faster than their income. At some point their creditors may cut them off, and before that point, creditors will insist on higher interest rates.”

*-The Committee for Economic Development, the Concord Coalition, and the Center on Budget and Policy Priorities,
“Mid-Term and Long-Term Deficit Projections,” September 2003*

"There is no question that if you run substantial and excessive deficits over time, you are draining savings from the private sector, and other things equal, you do clearly undercut the growth rate of the economy."

- Alan Greenspan, Testimony before the Senate Banking Committee, July 16, 2003

“History suggests that an abandonment of fiscal discipline will eventually push up interest rates, crowd out capital spending, lower productivity growth, and force harder choices upon us in the future.”

- Alan Greenspan, Testimony before the House Budget Committee, September 12, 2002

Charts for the 2005 President's Budget

